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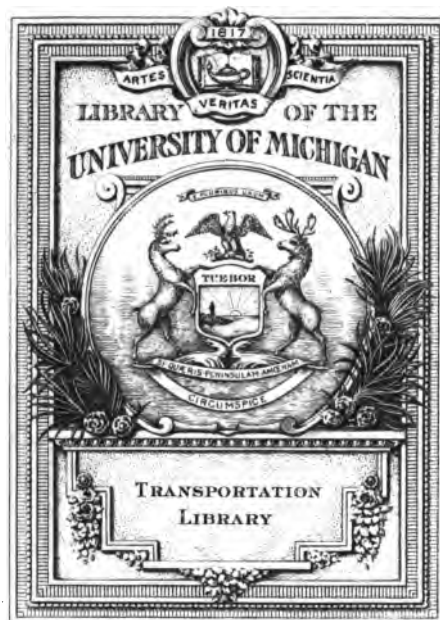
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SERVICE AT COST PLANS

**An Identical Analysis of Statutes, Ordinances,
Agreements and Commission Orders in
Effect, or Proposed, together with
a Discussion of the Essentials
of Local Transportation
Franchises.**

By HARLOW C. CLARK
Editor of Aera



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FOREWORD

It is essential to the continuance of private enterprise in local transportation service that the credit of the companies engaged in the undertaking be re-established on such a basis as will attract the new capital necessary for the growth, development and expansion of the facilities through which the service is furnished.

This problem of readjustment is acute in practically all American cities and communities, and is receiving the attention of the National and various State and local governments as well as business and civic organizations. As a means of readjustment and for the purpose of assuring to the utilities such revenues as will restore their credit, while protecting the public from excessive charges, a number of communities have provided for the conduct of these utilities under so-called "service at cost" plans, while a number of other communities have such plans under consideration.

It is in order that the public and the operators of local transportation utilities may have in convenient form the principles and the details of the various cost of service plans, both those which are now effective and those which have been prepared but which for various reasons have not become operative, that the following study was undertaken.

It consists, first, of a consideration of the fundamentals which must, if private capital is to be secured, underlie any expression of legal right to conduct a local transportation utility and the provisions of statutes, ordinances or commission orders governing the relations between such utilities and the communities; second, an analysis of the various measures with the idea of ascertaining the

extent to which such principles have been applied; third, an identical analysis of the cost of service plans now in effect, similar provisions being grouped together in order that the provisions covering any particular point may be quickly ascertained, and, fourth, a similar analysis of service at cost plans proposed but not effective.

The section covering plans already in effect is a regrouping of material that has from time to time appeared in AERA. The remainder of the text is new. Although published by the Association, the author and not the Association or any of its committees is responsible for the opinions expressed.

CHAPTER ONE

The Essentials of a Franchise

The Relation of Local Transportation Service to Community Life and Community Development—Elements of The Electric Railway Problem—What Is Required to Attract and Retain Private Enterprise in the Public Service—What the Public Seeks from Private Enterprise.

With the exception of water and sewers, local transportation is, for cities of any considerable size, the most essential of all public utilities. The widely spreading city, with its segregation of business from residential districts in order that each may in point of character and development best serve its own purpose and best meet the common need as to health, comfort and convenience, is possible only by reason of local transportation. Its extent and character determines the manner in which communities develop. Without rapid transit, cities like New York, Chicago, Boston and Philadelphia are impossible. Deprived of it, they would split up into smaller, self-contained communities, or congestion greater than anything now known would ensue.

A Transportation System the Requisite.—A transportation "system," and not merely the provision of transportation units, is one of the primary requisites of a community. The social function of local transportation is its most important function. The system must extend, expand and improve in pace with community requirements and in conformity with a considered plan and not at haphazard.

Cities develop as their local transportation facilities develop. Urban population conforms to transportation lines, as the growth of nations has followed the path, first of their waterways, then of their highways and finally of their railroads.

"City planning" which involves city development along lines which furnish to the public the maximum of healthful living conditions, comfort, convenience and business facilities, must always depend upon the provisions of adequate local transportation.

What all communities require is the co-ordination into a single system of all means of transportation, each to perform that part of the service for which each is the best suited. Rapid transit in subways or on elevated structures, surface transportation on tracks

or on rubber tires, are facilities which can best serve in co-operation, and not in competition, with each other. To properly serve communities, all of these means of transportation should be directed and controlled by a central agency, which has in mind, not the promotion of the interests of any one of them, but the furnishing of the best means of intercommunication to the community as a whole.

In a growing city there is no such thing as a *completed* local transportation system. As the city grows so must its transportation system grow. The capital requirements for new construction for the electric railways of the United States indicate this continuing growth in a normal period. They are well over \$200,000,000 a year. This is about \$5 for each man, woman and child classified by the Census Bureau as a unit of the urban population. For a group of 30 utilities, 25 of which were electric railways, the expenditures for new construction for the pre-war period 1902 to 1913, as reported to the Federal Electric Railways Commission by Mr. Henry G. Bradlee of Stone and Webster, were \$37 for each \$100 of gross revenue. Between 1900 and 1910 the urban population of the United States increased more than 38 per cent. In some way, the local transportation needs of these additional city dwellers must be taken care of.

The Real Electric Railway Problem.—It is this expansion of local transportation facilities to meet urban requirements that constitute the real electric railway problem as it affects the communities. Unless, and this involves a reversal of present tendencies little likely to occur, the growth of cities is halted, and population drifts to the country, the future social and business habits, mode of life, and to a certain extent the morals of the people of the United States, depend upon the manner in which local transportation facilities meet local transportation needs.

It is the business of communities to provide for their inhabitants the best possible living conditions, the greatest degree of comfort and the largest extent of convenience, both for the transaction of their business and for the conduct of their private lives. Neither health, comfort or convenience is compatible with congestion, and congestion can be prevented only if adequate local transportation be provided.

Today, only the cities of New York, Chicago, Boston and, to a very limited extent, Philadelphia, have any system of rapid transit. There is need for such a system in many other cities and as urban population increases this need will increase. Today, few, if any, cities have entirely adequate systems of surface transportation and these conditions, both as to rapid transit and as to surface transportation, have been greatly aggravated by the practically total cessation of new construction during and after the war. In almost every community there is a present insistent demand for an extensive construction and rehabilitation and for improvement in the facilities with which the personal service is being furnished. Irrespective of whether it be provided by means of electrically propelled vehicles or by motor buses, every urban community requires a transportation system which will:—

First, expand and develop so as to permit the growth and development of the City along lines that will eliminate and prevent congestion, allow living conditions conducive to health, sanitation and comfort, prevent inflated real estate values, and afford the maximum of convenience in the transaction of business.

Second, furnish safe, adequate and convenient service, based in the first instances on consideration of social needs, and,

Third, operate at as low a cost as is consistent with the service furnished.

Such a system may be secured in two ways. First, through its provision directly by the community, and second, through its provision for the community by private enterprise. It is with this latter method that we are concerned. The question of public ownership and operation of utilities is a question of policy involving considerations which need not be here discussed. There is no likelihood of its immediate adoption by any considerable number of communities. There is, however, present and pressing need for the improvement of local transportation facilities, which must be accomplished through public use of private enterprise.

What is Required of Private Enterprise.— What the communities require has been aptly summarized as “the best possible service at the lowest possible cost.” If this is to be furnished by private enterprise, then the demand of the public upon such private enterprise is for

- First* — Capital, and,
- Second* — Management.

Under what conditions can these two essentials be best obtained? That is the question that most directly concerns the communities, and until it be answered no conception of a correct and equitable basis of relationship between the communities and private enterprise working in their behalf can be secured. As between the interests of the public and of private enterprise, there can in the long run be neither divergence nor conflict, since, in spite of legal protection, there can be no successful conduct of an enterprise furnishing a public service, using the public streets, and dependent in almost every detail of its operation upon public consent and support, without public co-operation. The public interest is undoubtedly paramount and when this conflicts with private enterprise, experience has frequently proved that it is the latter which must give way. Nevertheless, it will be found upon examination that full protection to private enterprise is one of the fundamentals which must underlie any agreement or arrangement by which private enterprise is enrolled in the public service upon terms most advantageous to the public itself.

It is, therefore, proposed to discuss in the following pages the conditions which should properly control, in contracts providing for public use —

- (a) Private Capital
- (b) Private Management.

CAPITAL

CHAPTER TWO

Public Utility Capital

Normal Capital Requirements of Local Transportation Enterprises — Present Time Requirements — From Whence to be Obtained — Functions of Investment Bankers, Holding and Management Corporations — The Ultimate Investor — Conditions Under Which He Will Loan His Capital.

Capital, as the word is used in connection with public utility enterprises, consists of the money, or its equivalent, invested to create the enterprise, and of the money, or its equivalent, invested to expand, extend and improve it. It constitutes the money, or value, which is entitled to a return.

A local transportation utility, prescribed as to its rate of return and so deprived of the power to accumulate capital from earnings, has but one source from which it may derive capital, i.e., the investor.

The capital required to inaugurate a transportation utility in the case of such utilities as serve growing communities is but the beginning of a continuing and continuous demand for new investment. Extensions, betterments and permanent improvements, all require expenditure of money, which, because no surplus over and above what has been decided to be a fair return is permitted, must be *new* capital. The extent of the demand for new capital has already been referred to. It is again shown by statistics of certain properties, whose security issues are and have been for the period covered, under strict regulation, so that all question of improper accounting or improper expenditure is removed. Thus in 1890, the capital liabilities of the 48 electric railways then operating in Massachusetts were \$25,611,989, in 1915 they were, for 53 companies, \$221,543,802, an increase of \$195,931,813, or 765 per cent, which is an average for the 25 years of \$7,837,172 a year. This shows an increase in capital investment from 15.5 cents per passenger carried to 29.1 cents per passenger carried, or nearly 100 per cent. It does not include the very considerable

investment by the city of Boston in subways. (*Statistics based on the report of the Street Railway Investigation Commission, created by the Massachusetts Legislature 1917. Pages 145 and 156*).

In 1907 the construction and equipment account of the railways reporting to the New York State Public Service Commission of the Second District showed as of June 30, 1907, a balance of \$179,262,445. On December 31, 1918, the balance stood at \$240,690,179, an increase of \$61,427,734, or 32 plus per cent, making a yearly average of \$6,466,076. (*Statistics based on reports of New York Public Service Commission, Second District, 1907 and 1918.*)

As an example of the new money required by a single company the figures for the Cleveland Railway Co. are available. The Capital Account of this company has been under the supervision of the city of Cleveland, since the company began operation under the Tayler grant in 1910. As of December 31, 1910, it stood at \$21,638,100; on December 31, 1918, it was \$34,211,400, an increase of \$12,573,300, or 58 plus per cent, being an average of \$1,571,662 a year. (*Statistics based on annual report of the Cleveland Railway Co. 1918.*)

For the United States, figures compiled by the United States Bureau of the Census show that between 1902 and 1907 the net capitalization (i.e., capital stock and funded debt, minus duplication and stocks and bonds of companies conducting other business) of the electric railways of the country increased at the rate of \$256,498,000 a year. Between 1907 and 1912 it increased at the rate of \$168,700,000 and between 1912 and 1917 at the rate of \$129,400,000.

The figures for Massachusetts, New York, Wisconsin, Cleveland or the United States do not, however, accurately reflect the present capital needs of the local transportation utilities. For some time before and during the war, they show the amount of new capital that it has been possible to obtain, rather than new capital actually needed, and the falling off in capital additions indicate the reason for the failure of the railways to provide the service demanded by the public. Adequate service is limited by the provision of the facilities through which it is rendered, and these can be provided only through the expenditure of new capital.

The *three* reasons why such facilities have not been furnished during latter years are:

First, the reluctance of investors to provide capital,

Second, the limitations put upon capital expenditures of all kinds, by the Government, as a war measure, and,

Third, the reluctance of the managements to undertake any but absolutely necessary extensions, betterment and improvements during the era of high prices that has for some time obtained.

In consequence, there is now an accumulation of necessary major expenditures, which will for some years to come increase the capital requirements of electric railways far above the normal. If this normal be estimated at \$200,000,000 a year for the country, it is not too much to say that for the next five or ten years it will be at least \$300,000,000 a year.

From what source is this capital to come? It is evident that there is but one ultimate source — the savings of the people, the margin between their earnings and their expenditures.

“Wall Street,” by which collective term there is expressed to the mind of the average man or woman the investing power of the nation, is not an ultimate source of capital. It is merely a part of the machinery by which money is collected for investment, and through which it is distributed among the various enterprises which seek capital. The function which it performs is that of decreasing the cost, effort and time which is required to secure capital.

In connection with public utilities, the term covers both investment bankers and so-called “holding” companies, neither of which are final sources of investment. The investment banker buys securities for the purpose of later selling them to the ultimate investor. The holding company buys securities to serve as a basis for its own securities which are later sold to the ultimate investor.

The distinction is obvious, the ultimate investor is he who buys securities for the purpose of obtaining the return thereon: the investment banker and the holding company buys securities for the profit — entirely legitimate — derived from its business of

selling them to the ultimate investor, and in the end the holders of the securities of local transportation utilities, or of the securities protected by such investment will be found to be individuals, whose thrift and industry has enabled them to accumulate savings.

In illustration,— 49 companies scattered throughout the United States reported to the American Electric Railway Association, bonds outstanding to the par value of \$240,347,825, in the hands of 448,775 holders, or an average par value for each individual of \$535.92; 98 companies reported stock outstanding amounting in par value to \$440,867,745, distributed among 32,788 individuals, an average of \$13,446, *par* value, per individual; 10 companies, four in Texas, two in Michigan, and one each in Minnesota, Wisconsin, Washington and Florida, report 1,273,870 shares of stock outstanding in the hands of 23,952 holders, of whom 11,324 were men, 10,941 were women and 1,686 trustees of fiduciary institutions, an average holding of 53 shares per individual; the life insurance companies of the United States hold electric railway securities to the book value of \$116,592,670 (*Letter of Mr. George W. Smith, Actuary, Association of Life Insurance Presidents* July 16, 1919); while in 1915 of a total of outstanding bonds of Massachusetts electric railways amounting to \$87,717,700, \$31,414,000 or more than 36 per cent were held by savings banks and other fiduciary institutions.

These statistics are given not as a plea for these investors, but solely to show that if local transportation securities are to be sold, neither the investment banker, nor the holding company, have it within their power to stipulate the terms and conditions upon which the sale must rest, but that such power resides in the ultimate investor alone, and that it is the requirements of these investors that must be met if the new capital needed for local transportation is to be forthcoming.

The question as to the efficiency or economy of the present system of disposing of utility securities through banking houses and absorption by holding companies is alien to the present discussion, since, insofar as the terms and conditions of investment are concerned, these but act as agents of the ultimate investor, whose demands are the demands that must be satisfied, before he will consent to loan his savings for the public service.

It is then essential to determine what are the reasonable and normal requirements of the individual whose funds are sought, the terms and conditions upon which he will lend his capital, and it may be assumed that the two factors which will at all times and under all conditions control, are,

First, The degree of safety, that is, the assurance of its return undiminished at the expiration of the period of its public use and

Second, Rate, and assurance of return; that is, the amount which it shall be permitted to earn during its period of public use, and the degree of certainty of return.

Third, The marketability of the securities offered.

CONCLUSIONS

Transportation utilities have but one source of capital — the investor.

A continuing supply of new capital is necessary to the development of local transportation systems in pace with community requirements.

The terms upon which new capital may be obtained are dictated by the investor and may not be controlled by either the community or the utility.

The basic conditions upon which capital may be obtained are that the safety of the investment and an equitable and fair rate of return be assured.

CHAPTER THREE

Risk of Supercession

Risks to Which Local Transportation Investment is Liable — Supercession — How It Can Be Eliminated — The Advantages of a Transportation "System" Conducted by a Single Agency Unrestricted as to the Character of the Vehicle Used — Motor Transport as an Auxiliary to Electric Railways.

Money invested in local transportation is in danger of loss, partial or total, from three causes:

First, The method of transportation which it is used to provide may be superseded by some more efficient or economical method to an extent which will greatly decrease the

value of the physical property of the enterprise and at the same time render its right to conduct business valueless;

Second, The right of the enterprise to conduct business and to the use of the city streets for such purpose may be withdrawn, without compensation for the loss sustained;

Third, The physical property which it provides may become worn out or obsolete, in the public service, without provision for its replacement having been made from revenue.

The first of these risks is equally liable to occur in the case of public ownership and operation. It is not assumed by communities which issue in payment for utilities purchased or constructed so-called "public utility" bonds secured only by a lien upon the property and earnings, and it can only be entirely assumed by the public through the pledging of the public credit, either directly in the case of money raised through issues of community bonds, or indirectly, in the case of public guarantee of securities. It may be mitigated through the amortization of the investment, or through a grant to the utility of exclusive right to provide, local transportation by any and all methods.

It is more than a mere theoretical risk. The development of the motor bus, while it is extremely unlikely to furnish a substitute for a "system" of electric railways, has at least shown that under certain conditions and in certain localities service can be provided by other means than electrically propelled cars on rails. The unrestricted and unregulated use of such vehicles does, in point of fact, at the present time, threaten the safety of electric railway investment in many instances. It is not to be believed that the improvement and evolution of the motor vehicle can be arbitrarily prevented or to any extent hampered. If it can be made more efficient and more economical than the electric car, then it will undoubtedly supersede that means of transportation, as the cable car superseded the horse car and was in turn superseded by the electric car. Similarly, any other method of transportation, if better than electric railway transportation, will in the end succeed it.

From this risk investment can be protected only if the right of the enterprise to conduct business, be an exclusive right to

furnish a transportation system, by whatever means and methods are the cheapest and most efficient and if it be permitted to amortize from earnings such losses as may arise from supercession.

The development of any new means of transportation, under competition, will in the end prove more costly than will its development as a part of or in conjunction with the existing transportation system. Competition as a means of regulating public utility charges and service has been discarded by the public as expensive, temporary, inconvenient and an ultimate deterrent of both good service and low charges. Yet today in the case of motor transport, competition is being encouraged and is resulting in the decreased efficiency of transportation systems, whatever its effect may be in respect of certain parts or phases of such system.

Thus, while the operation of motor buses in districts already served by street cars may add to the facilities furnished to those particular sections of the communities, it deprives the street car lines of earnings and so lessens the system's ability to furnish service in other parts of the community, where because of lesser density of traffic or for other reasons motor buses will not operate.

It cannot be too strongly emphasized that the most pressing need of communities is for a complete system of local transportation, and not for excess of service in particular localities. The development of some particular unit of transportation does not mean the development of a local transportation system. All methods of transportation may have their proper place in such a system but the interests of the communities require that they be co-ordinated in such a manner that each shall perform the task which it is best equipped to perform, and that none shall be developed at the expense of the complete system.

In Great Britain this principle has been recognized and made effective. Mr. Walter Jackson in an article in the *Electric Railway Journal* of February 28, 1920, states that motor buses are being operated, in connection with tramways, as part of the same system among other places, in cities of Birmingham, Liverpool, Manchester, Sheffield, Leeds, Edinburgh, Barrow, Barnsley, Peterborough, Stoke-on-Trent, Greenock, Sheerness, East, Wrexham, Reading and Swansea, while application for permission to operate

buses in connection with tramways has been made for Blackpool, Cardiff, Erith, Coventry, Huddersfield, Lowestoft, Newcastle-on-Tyne, Nottingham, Salford and Southampton. In the United States, there are isolated instances where motor buses are operated by the same interests (but not by the same companies) as those which operate the electric railway service, but there is nowhere a recognition of the principle, that if both means of transportation are to be employed, they should be under a single management, first and foremost for the purpose of providing a complete system, and, second, in order that the investment in the original enterprise may be protected.

If, then, privately operated public utility enterprises be granted the right to provide a complete and exclusive local transportation *system* for the community, not only will the communities be better and more efficiently served, but the risk of supercedence borne by the investment will be reduced.

The grant under which private enterprise is permitted to furnish local transportation service should be both inclusive and exclusive, and should cover a transportation system and not merely a particular method of transportation.

CONCLUSIONS

Money invested in local transportation is in danger of total or partial loss if the means of transportation it is used to provide be superceded by some other more convenient or economical form.

This risk can be obviated only if the enterprise be given the exclusive right to provide a transportation system, by whatever means are the best and cheapest and is permitted to amortize from earnings losses occasioned by supercession.

It is in the interest of the communities and the public that the provision of a local transportation system embracing all means of transportation be confided to one agent.

CHAPTER FOUR

Risk of Termination

Risks to Which Local Transportation Investment Is Liable—Termination of Right to Conduct Business Without Provision for Recovery of Investment—Franchises as a Protection to Investment—Effect of Term, or Period—Necessity of Amortization when Period Is Short—Importance of Credit—Protection of Public Interest with Long Term Franchises—The Indeterminate Permit Considered.

The second of the risks to which capital invested in electric railways is liable is that its right to conduct its business may be terminated without provision being made against the loss that must always be present when a going concern is converted into a mere aggregation of physical assets—the difference between a “business” capable of earning a return and the scrap value of the physical property with which the business was conducted.

The foundation of the local transportation company's credit is the expression of legal right, franchise, grant or agreement by which it maintains tracks in the public streets and operates cars thereon.

Money is obtained for these companies, not so much on the strength of their physical assets, as upon their ability to earn a return. Tracks, cars, power houses, wire and other apparatus have a certain value as “scrap,” but this “scrap value” in no case equals the “value” of the property which, for the investor, must be based upon the utility's earning power.

The risk of having the “value” of the property converted from that inherent in a living business enterprise, to the “value” of commodities like rails, ties, concrete, cars, wire, power houses, etc., etc., is controlled by the period or terms of its grant.

Local transportation franchises are, as to period, of three general classes, perpetual, term, and indeterminate.

There is little use to discuss the perpetual franchise. There is no likelihood of any community making such a grant in connection with service-at-cost and there is, perhaps even less likelihood in view of recent experience, of any traction company accepting

such a franchise with the limitations as to fares and the requirements for service extending indefinitely, such as it would inevitably contain. In the present period of readjustment, the outstanding requirement of any plan for regulating the relations between local transportation companies and the cities is *flexibility*. The rigidity that must necessarily be present in any grant in perpetuity, if the interests of either the communities or the investors are to be protected, would operate to prevent the evolution of the transportation system in the way which will best serve both parties.

An examination of 121 franchises held by companies in all States of the Union except 12, and in Canada and the District of Columbia, shows the wide divergence in the terms of such grants. Thus, of the 121, 27 are in perpetuity, one is for 100 years, two for 99 years, 31 for 50 years, four for 35 years, two for 34 years, nine for 30 years, 26 for 25 years, eight for 20 years, while nine were indeterminate as to period.

For all but 38 of these 121 companies, there then exists a risk that "value" may be reduced from the value attached to a "going" concern to the "value" attached to its physical property only. This risk exists in all "term" franchises, and its degree is marked by the length of the term. It can be eliminated in "term" franchises, only if during the life of the franchises, there be taken from the fares paid by the car riders to the company such an amount of cash as will equal the difference the value of the company as a "going" enterprise and the "scrap value" of its physical property. This process must necessarily include not only the amortization of the difference as it affects the property existing on the date when the franchise became effective, but every addition to the property subsequently made. The impracticability of any such process is obvious. For instance, in the case of a 20-year franchise, the difference as it affected the original investment (i. e., the investment at the time the franchise took effect) would presumably be amortized in 20 installments and later investments would be amortized in installments equal to the number of years remaining to the franchise, so that toward the end of the life of the franchise the amount

to be paid annually would be so great as to impose an impossible burden upon the car rider.

There is, however, no good reason why, if *value* is at all times kept behind investment, the car rider should be called upon to bear any amortization charge of this character. The sole argument, therefore, is that by such amortization the investment upon which return must be paid is reduced. The reduction, however, is at the expense of the car rider, and means if cheaper fares actually result, that the car rider of the present is assuming a part of the cost of the rides to be given to the car rider of the future. Equity demands that the present rider should assume and pay for every cost of the service furnished him, and this cost includes property worn out or rendered obsolescent in the service, thus keeping property value in step with capital value as that represents the amount upon which return is paid. It does not, however, require that he should assume any expense, the purpose of which is to enable service to be given to future car riders at lower rates. Amortization of investment in this form is, therefore, simply a shifting of costs from one set of car riders to another and only to the extent that such amortization charges can be equitably distributed over the years, so that no one set of riders shall be subject to unjust burden, may the practice be defended.

Amortization of investment for the purpose of purchase involves another principle, which is unrelated to the question here discussed and affects more particularly the method by which public utilities should be acquired.

The point here raised is that the risk of loss to investors through the termination of term franchises can be obviated only through amortization of part of the investment. This principle was recognized in the earliest of the so-called service-at-cost franchises, that in Cleveland. Under the laws of Ohio, no franchise can be granted for a longer period than 25 years, and in order to protect the company from the risk of loss occasioned by termination, the grant provides, when it has less than 15 years to run, that the company may charge the highest rate of fare provided, that control of schedules shall pass from the city to the company and that the surplus in excess of the cost of service shall be used for the purpose of amortizing the investment. The principle

embodied in this provision is still more clearly set forth in the Youngstown franchise, which, like the Cleveland franchise, provides for only a 25-year term. When this grant has less than 15 years to run, it is provided that the company may charge such a rate of fare as will provide a fund which, with interest compounded at 7 per cent., will amortize the difference between Capital Value and Salvage Value as they may stand at the termination of the franchise. The Westerville franchise has a provision similar to that of Cleveland.

With "term" franchises, whether they be short or long, the credit of companies can be firmly established only if provision for amortization is made, since without such provision, there must necessarily come a time, whether it be 10, or whether it be 90, years from the date when the agreement was entered into, when the risk of loss through termination becomes so imminent as to demoralize the entire financial structure of the enterprise.

Moreover, provisions like those in the Cleveland and the Youngstown grants, while they serve to protect investment already made, are insufficient to induce new investment during the later years of the franchise period, since amortization would in all probability necessitate a higher fare than could be profitably collected. It is sought in the franchises under discussion to minimize this objection by providing for early renewals, and by the agreement that in the event of such renewals, the amortization shall cease. Such provisions are in reality admissions of the undesirability of short term and have the tendency to keep the relations of the community and the company in a more or less constant state of turmoil. For the period of franchise negotiations is in every case an unprofitable one, both for the municipalities and the companies. During its continuance and until a basis of relations have been re-established, extensions and betterments cease, service almost invariably deteriorates, hostility is engendered, co-operation between public and company which is the basis of good service suffers, and a question which should be answered from considerations of good business sense alone becomes a political question.

The limitation of the term of franchise grants to be found in the constitutional or statute law of many States express, first,

a reaction from the practice of granting franchises in perpetuity and, second, the desire to provide a greater degree of control over the public utilities than had before existed. Most of the limiting provisions were incorporated in the law during a period when such regulation of the utilities as existed was by virtue of franchise provisions. These provisions attempted to govern in detail question of both rates and service much in the manner of the plans and specifications accompanying a contract for the construction of a building. Obviously no one had the wisdom or knowledge to draft an instrument in which would properly accomplish this purpose over any considerable time. Moreover, the popular conception of a franchise pictured it not as a mere authorization to perform a public service in the public interest, but a grant having a substantial value because it permitted the collection of an unlimited amount of return from the public, so long as its provisions as to rate of fare and conditions of service were complied with. Under these conditions, it is not surprising that it was considered essential to the public interest that the franchise should be limited to a short term in order that these terms could be frequently remolded to meet changing conditions.

These reasons for term franchises no longer exist. The regulation of public utilities is no longer a question of the provisions of the grant under which they are allowed to do business. The machinery of regulation has been extended and expanded. By limiting the return allowed, the "value" of the franchise, insofar as it depends upon the permission given to collect profits from the public, has been eliminated. Through the control of service and of fares, by either State or municipal government, the necessity of frequently revamping franchise provisions to meet new conditions has been obviated, and the franchise grant has been recognized for what it now really is: namely, a permit to conduct a public service primarily and controllingly in the public interest, and but secondarily in the interest of those who furnish the capital for the enterprise.

Under this concept, the major interest of the public in the term or period is that it may be terminated, not at stated lengthy intervals, but whenever the public interest requires its termination, and since it is inconceivable that the modern community can at any

time do without a local transportation system, the public interest will require termination of the franchise, only in the event that the community desires to purchase and operate the system, or that it desires that some other than the incumbent interests own and operate it.

This is the principle of the Indeterminate Permit, which is for no stated term and which is revocable at any time that the community may elect to purchase, or to permit its licensee to purchase, the property under terms which the grant itself provides. The benefits of the Indeterminate Permit may thus be summed up:

First, It gives the community full power to remove a delinquent or objectionable company from the operation of its street railway system, in the only two ways which guard against an interruption of the service;

Second, By removing the risk to the company of loss occasioned by termination of its right to do business, it safeguards the company's credit, the preservation of which is essential if needed extensions and improvements are to be provided;

Third, It eliminates that twilight zone in the life of franchises, which mark the period of negotiations for renewal, during which service deteriorates, extensions and betterments cease, and animosities are aroused.

Fourth, By providing a simple and easy method of public purchase, it puts it within the power of communities to at any time own and operate their street railway systems and so does away with one prevalent point of controversy.

CONCLUSIONS

Capital invested in local transportation is liable to partial loss through the termination of its right to conduct business, without provision for the payment of the difference between the value of the enterprise as a going concern, and the "scrap" value of its physical property.

This loss can be guarded against, if its right to conduct business be terminable only through purchase by the community or a licensee of the community at a price representing the value of the

enterprise as a going concern, or if provision be made, for amortizing during the life of its grant, the difference between its value as a going concern and the estimated scrap value of its physical property.

The latter protection is costly to both the community and the enterprise, results in inferior service and is detrimental to all interests. The former sufficiently safeguards the public interest by providing means for ousting delinquent companies, while insuring a continuance of service.

CHAPTER FIVE

Risk of Attrition

Risks to Which Local Transportation Investment is Liable — Attrition of Physical Property — Must be Compensated for from Revenue — An Operating Cost and Not a Charge Against Profits — Cannot be Provided For Through Current Maintenance — Necessity for Adequate Reserves — Public's Interest Protected by Such Reserves — The Position of the Industry upon Depreciation.

The attrition of the physical property of an electric railway, or, indeed, of any other public utility is a continuing process. It takes two forms, first, the actual wearing away through use, the action of the elements, or by any other means which decreases its period of useful life, and second, obsolescence, because of service units being superseded by other service units which can more adequately fulfill their function.

This risk of attrition is the third risk to which capital invested in electric railways is subject and from which it must be protected. Both the actual wearing away of the property and its obsolescence constitutes a proper charge against the cost of the service rendered and must be made good from the revenues collected on account of such service. The investor is entitled to have his full investment returned to him undiminished at the expiration of the period of public use. It is, therefore, evident that there must be on hand at all times, either property to the full value of the investment, or funds equal to the difference between the value of the physical property and the full value of the investment.

And because it is manifestly impossible, through the medium of repairs, renewals and replacements, to keep any property up to 100 per cent. of its *perfect* physical condition, although it is possible to keep it up to 100 per cent. of its *perfect* operating condition and because obsolescence cannot usually in the case of individual physical units, be neutralized by gradual replacement, but requires complete substitution at uncalculatable periods, the necessity of accumulating reserve funds which will maintain the balance between investment and value is at once apparent.

The principle is easy of comprehension. The wear and tear and obsolescence of physical property provided by the funds of the investor, takes place because of its public use. It is a lessening of the investment and if allowed to proceed would eventually wipe out practically all of the physical property back of the investment. In an industry unregulated as to return and capable of earning sufficient profit, it can be taken care of by reserving part of accumulated profits. In a regulated enterprise such as a local transportation company, when the return is in the last analysis merely interest and not profit in the sense that profit is regarded in uncontrolled industry, there is no margin for the absorption of this attrition of property out of excess profits, and attrition must consequently be considered and treated as an operating expense and so provided for.

It is a charge which has, in fact, no relation to profits. It is necessary not only to preserve the integrity of the investment, but to as well insure good and sufficient service. We have referred to the amortization necessary to protect the enterprise against loss through the termination of the right to do business as a charge assessed against the present car rider in favor of the future car rider. Failure to currently provide for the attrition of the property is, on the other hand, a bill drawn against future car riders for the benefit of present car riders.

For this is true: That if there be in a single year wear of the property to the extent say of 6 per centum of its value and such wear is made good only to the extent of 2 per centum, then unless the property is eventually to be entirely dissipated, the difference between the 6 per centum loss and the 2 per centum replacement must be made good from future contributions of car riders.

Wear cannot be made entirely good by current repairs and replacements. Thus, the life of a rail may be 20 years, in each of which a certain amount of wear and tear takes place. Yet it is not until the last of the 20 years expires that actual replacement is made. To assess the entire cost of this replacement upon the car rider of the year in which a new rail is substituted for the old rail is to burden him with a charge which in equity should be borne equally by the riders of the other nineteen years. Or, as to obsolescence — a power plant by reason of improvements in the design of power generating apparatus becomes obsolete and must be replaced. Unless there shall have been accumulated during the period of use of the old plant, a fund which represents its deterioration, not only physical, but functional as well, the entire cost of replacement is borne by the car rider of the period in which the replacement is made.

The distribution of this charge for property attrition as between current, repairs, renewal and replacements, and contributions to a reserve fund, constitutes a practical engineering problem to be determined by actual experience under various conditions. It should be borne in mind, however, that although the actual operation of the transportation system may not be affected to an appreciable extent where there be adequate maintenance without a reserve fund, yet both the integrity of the property and the interest of the car rider is materially affected, since in the first instance there cannot possibly be on hand at all times value to the full extent of the investment and in the second instance there is bound to be inequity in the distribution of this charge as between past, present and future users of the service.

No attempt is being made to here discuss the intricate details of "maintenance" and "depreciation." What is being considered are the reasonable requirements of the investor for the protection of his investment in a local transportation system and it is evident that protection is not afforded if the value back of the investment is decreased through attrition. Only when this attrition is fully compensated by provision from revenue for adequate maintenance and the accumulation of such a reserve as will represent the amount by which maintenance fails to keep property at full investment value, is such protection forthcoming.

The effect upon the *public* interest of failure to provide adequate maintenance and a sufficient reserve, is particularly evident in the case of communities which may exercise their option either to purchase or allow a licensee to purchase. The purchase price is in many such cases based on the capital value of the company without revaluation. If full value is not behind capital value, purchase by the city at such a price and under such conditions, means that the future users of the service, are paying for property which has been dissipated in the service of past users of the service, and purchase by a licensee, means that the licensee is receiving less in value than he pays for. If, on the other hand, revaluation is provided as a means of determining purchase price, then a large part of the investment is confiscated.

The position of the industry generally in regard to this question of maintenance and depreciation, was expressed in the following resolution adopted by the American Electric Railway Association at a meeting held in Cleveland, on January 8, 1920:

Resolved: That the American Electric Railway Association recommends to its Member Companies that, wherever possible, they provide in their accounting practice, for the creation of adequate reserves to insure the property in advance of actual replacement and abandonment, and that such reserves shall be provided in cost of service franchises.

It is therefore essential to the protection of capital invested in local transportation, that adequate provision be made for maintenance and that reserves be accumulated from earnings, to an amount that represents the difference between the value of the physical property, and the sum of the capital investment.

CONCLUSIONS

It is essential to the protection of capital invested in local transportation that losses because of wear and tear, obsolescence and supersession be made up from revenue.

Not only should the property be currently maintained so as to be in the most efficient operating condition but, in addition, there should be currently reserved from revenues, sums sufficient to

provide for future renewals and replacements, so that at all times the full value shall be represented, by property or reserves.

Adequate maintenance and sufficient reserves are required in the public interest, since proper service depends upon maintenance, while inadequate reserves put an inequitable burden upon future car riders.

CHAPTER SIX

The Investor's Requirements

Return — Investor's Power to Prescribe Return — His Three Primary Requirements — The Cost of Money — Its Effect upon the Cost of Service — Assurance of Return Dependent upon Revenue — Sources of Revenue — Public Contributions and Public Imposts — What the Community Owes the Car Rider — Public Subsidies.

Assured of the *integrity* of the investment, that is, that money put into the enterprise will not disappear or shrink in amount during the period of its public use, the second consideration with which the prospective investor is confronted is as to the return which the investment will make to him.

He is a free agent. Not even Government can compel him to loan his capital, notwithstanding that the loan may be for governmental or public purposes. Government may through its powers of taxation impound income, but it may not requisition capital. In the disposal of his accumulated savings the investor may not be controlled, and Government as well as private enterprise, must meet his requirements before either can secure for its use his capital. Thus the United States Government, seeking loans for war purposes and aided by the strong appeal of patriotic duty, was several times compelled to increase rate of interest paid in order to secure the funds which it required.

Every enterprise, governmental or private, is a bidder for capital to be used for its own purposes, and for this reason the money market is the most highly competitive market in the world. To it must come National, State, County and Municipal governments, as well as public utilities and all private enterprises which seek

capital, and in it all are on the same footing as regards the inducements which they have to offer. These are

First. Safety.

Second. Assurance of return.

Third. Rate of return.

The rate of return is dependent upon the factors of safety and assurance. To the degree that the risk of loss or interruption of return enters into the investment, the rate of return demanded or expected will vary. Money for speculative purposes, where the risk of its loss is great and where the prospect of return depends upon circumstances not easily forecast, insists upon a high *rate* of return. Money guarded against loss and *assured* of its return is content with a lower rate. These are financial fundamentals, illustrated by the low rate paid upon the securities of the United States Government, and the large profits reaped in successful enterprises of a speculative nature. They must be kept in mind in this discussion because the cost of money, which includes not only the return paid, but the terms upon which it is obtained, is an important element in the cost of providing electric railway service and so bears directly upon the relations between the public and the companies furnishing that service.

The cost of money is reflected in two principal ways: first, in the rate of return demanded and second, in the price obtained for the securities of the enterprise. In reality the second is but a reflex of the first, since if the rate of return be fixed upon par value, it, the rate, is increased or decreased as the actual price paid for the security, is more or less than par value. The money market is a constantly changing market and it is impracticable to frequently alter interest on securities to meet its demands. The consequence is that variations in the cost of money is indicated not so much by the rate of interest which these securities bear, as by the price which may be obtained for them. This is plainly shown by a merely casual study of the bond sales on the New York Stock Exchange. Between January 1, 1920 and April 12, 1920, but twenty-seven of the 397 issues of bonds dealt with on this exchange reached par. The rest were bought and sold at prices

having the widest possible range, although the rate of interest upon par value was the same throughout the entire period.

The cost of money, whether it be reflected in the rate of return necessary to secure it, or the price at which the securities can be disposed of is one of the important costs in the operation of a local transportation system. In 1917, when the last census of electric railways was taken by the United States, thirty per centum of all charges against the conduct of the enterprise were charges on account of capital — interest on funded debt, rentals, dividends and surplus. The importance of obtaining capital upon the most favorable terms is plainly indicated by this statement, and the most favorable terms can be obtained only when, in addition to assurance that the integrity of the investment will be preserved, there is assurance that return will be constant and that it will be at a satisfactory rate.

For capital invested in local transportation, or for that matter, invested in any other enterprise, there can be assurance of return only if there be assurance of adequate revenue, and adequate revenue, in the case of local transportation, can be secured only from earnings — the money collected from the users of the service — or from public contributions.

The idea of public contribution towards the cost of providing local transportation service was unheard of a few years ago. Today it is being constantly put forward, not by the representatives of the companies, but by the representatives of the public, who, impressed with the social importance of the service furnished, are urging that its cost be distributed against all who benefit and not alone upon its users. As has been before pointed out, local transportation permits the development of communities in the way best calculated to promote health, comfort, convenience and morals. This is a function that benefits every member of the community, irrespective of the extent to which he or she may use the service. It is a tangible, actual asset, which in part can be expressed in dollars and cents. In Toledo, for instance, the street car service was suspended for twenty-seven days. John N. Willys, the president of Toledo's largest industry, estimated the loss to the city's business, and this apart from the loss sustained by the car riders, at \$50,000 a day. The merchants lost trade, the amusement enter-

prises lost patronage, manufacturers reported substantial and costly interference with their operations, the real estate dealers a practical cessation of trading, and so on through a long list, which showed that the interests of all classes of business were vitally affected.

According to the report of the City Club of New York City, the increase in value of property in the Borough of Manhattan benefited by the construction of the Broadway subway, readjusted so as to eliminate the normal rise in value, amounted between the years 1900 and 1907, to more than six times the cost of its construction while between 1903 and 1912, the assessed value of property in the Borough of the Bronx, increased from \$226,596,647 to \$616,521,378, an increase, due practically in its entirety, to the building of the Bronx extension of the subway. A similar increase in real estate values will be found to follow the opening of new transportation lines in any growing city and the experience of New York is cited only because physical conditions in that city are such, that its astounding growth would not have been possible at all, had it not been for the development of its transportation system.

It is unnecessary to give further instances of the benefits conferred by local transportation systems upon others than the users of the service it furnishes. It is evident that there is no greater factor in the social life of communities. Yet, there has been no recognition of the obligation owing to this utility by the community as a whole, but on the contrary the operation of the local transportation system has in the great majority of cases been seized upon as an excuse for the imposition of additional burdens of taxation upon that particular part of the public which uses its service. The following recital of a part of the taxes and imposts which have been and are now being imposed upon electric railways, illustrates the extent to which the Federal, State and local governments are using these utilities as convenient bearers of the public burden of taxation:

By the Federal Government — Income and excess profit taxes.

By State Governments — Income, realty, personal property and franchise taxes.

By Local Communities — Franchise, property, gross receipt, school, park, pole, car, wire and rail taxes; paving construction, paving maintenance, street cleaning, snow and ice removal, street sprinkling, free current for community purposes, bridge and viaduct construction and maintenance, free transportation for community employes, payment of traffic police.

In 1917 according to the United States Bureau of the Census, 10.11 per centum of the operating expenses of the electric railways of the country were made up of taxes. "Taxes" under this classification does not include what have before been referred to as "imposts." For 214 companies, such imposts, according to figures compiled by the American Electric Railway Association, amounted to \$20,442,000 in a single year, as compared to "taxes" for the same year of \$40,761,000, or more than one-half. Nor is this all, since a large portion of the imposts require capital expenditures, which must be added to the capital burden of the utilities, and upon which interest must be paid as in the case of other capital. This interest charge on account of expenditures for purely governmental purposes is not insignificant. The engineers employed by the special Commission appointed by the Rhode Island Legislature to investigate the affairs of the Rhode Island Company, reported in 1918 that of the \$33,275,184 representing the reproduction value of the Company's property, \$2,666,622 represented pavement constructed for the communities by the Company. Thus some eight per centum, of the annual interest charges to be earned from the fares of the car riders of this company were made necessary by public requirements which had little if anything to do with the efficiency of the system as a transportation medium.

A conservative estimate of the charges imposed by government on the conduct of an electric railway is that they constitute at least ten per cent of the total cost of operation including payments on account of capital, so that from each five cent fare, government takes one-half cent, out of each six cent fare it takes .60 cent, out of each seven cent fare .70 cent, out of each eight cent fare .80 cent, out of each nine cent fare .09, and out of each ten cent fare, one full cent.

Contrast the treatment thus accorded the users of local transportation service with that received by the users of municipally operated water utilities, which differs only in degree from local transportation as a public necessity. The car rider pays rates, increased by the addition of all the various taxes and imposts enumerated, or is given service the extent and character of which is affected by them, while the latter is not only not compelled to assume this burden, but in many instances is relieved of charges which should properly be included as a cost of the service he receives, through their assumption by other departments of government.

For the use of its street by the car riders, the communities exact large charges in the form of both taxes and imposts, while for an even greater use and occupancy by the users of other vehicles, they make no charge, or at the best a small charge as in the case of certain fees and licenses paid by motor vehicles and their drivers. For the accomodation of 30, 40, 60 or 100 persons, as the case may be, the street car occupies for such time as it may take it to progress from one end of its route to the other, a portion of the street in which it provides and maintains its own track, and so interferes with other traffic only for the time that it is actually in transit. On the other hand, the automobile for the accomodation of from one to six persons, not only takes up almost as much of the roadway while in transit, but makes use of it for storage purposes for long periods of time and so adds greatly to the congestion, and as a consequence of its operation actually destroys and wears out the pavement for the construction and maintenance of which the car rider pays.

In 1915, a traffic count of persons entering and leaving the business district of the city of Denver, showed that of 260,181 other than pedestrians, 201,794 entered and left by street car, while 58,387 were transported by other vehicles. This figure is fairly indicative of the use of the streets by riders in vehicles and shows that of these 77.5 per cent were car riders. Yet public expenditures for street improvement on account of the car rider are charged to him and paid either through increased fare or deteriorated service, while not only is he taxed as a part of the general public for the improvements made in the interest of the

remaining 22.5 per cent, but in addition he is taxed as a *car rider* for these improvements, and conveniences.

These taxes and imposts are relics of past regulation of profits under franchise contracts which fixed the rate of fare to be charged and which put no limit upon the total return to be earned. They were imposed in the belief that they were paid by the owners of the property and not by the car rider. They can be logically justified only if the transportation be regarded as a private enterprise using the public thoroughfare for private gain. They cannot be justified if the utility be considered as performing a service for the public at the lowest cost consistent with good service. With fares regulated by the cost of the service — and under all modern forms of regulation, whether by State or local commissions or under flexible fare ordinances it is so regulated — these very substantial costs are placed directly upon the user of the service and are reflected either in the fares paid or in the character of the service furnished.

The idea that a transportation utility is a private business enterprise the profits of which should be clipped for the public benefit, together with disregard of its social and community functions, has led in some instances to an even further extension of its use as a medium for the collection of revenue for the public treasury. Profit sharing as between the utility and the communities has been incorporated in some franchises and is very frequently urged as a measure in the public interest. Money so gained by the communities is taken from the car rider and should be regarded as an additional tax upon this single class of the public.

The profit sharing plan as an incentive to efficiency and economy on the part of the operators of a public utility has much to commend it, but the sharing should be between the operators and their patrons and not the communities. The person who makes use of the streets through the medium of a street car, should be compelled to assume no charge that is not assessed against those who use the streets through the medium of any other kind of conveyance.

This principle is fast coming into general recognition. The State Trustees (public officers), who operate the Boston Elevated

Railway Company, in a recent report declared that subways are "nothing more than highways under the surface" and that the "public owes the same duty to furnish a highway for the street car rider that it owes to the pedestrian or other traveler." Judge Fielder Sanders, Street Railroad Commissioner for the city of Cleveland, has taken a similar position in regard to subway construction in the Ohio city and has stated that in his opinion the patrons of the street railway system should bear only such expenses in connection with subway construction and maintenance as is represented by the decreased cost of operation in subways as compared with the operation upon the surface. The Public Service Commission of the State of Washington has assumed a position even further advanced and in its decision upon the application of the Portland Railway, Light & Power Company for an increased fare, decided March 15, 1920, recommended that the city of Portland relieve the company of paving construction, paving maintenance, bridge rentals, franchise taxes, car license fees and the free transportation of city employes and that it purchase the tracks of the company and thereafter *supply the track upon which the cars of the company operate.*

This relief from taxation and impost can not be considered as a subsidization of local transportation service. It serves merely to put the car rider on the same footing, as regards the facilities furnished him by the community, as is any other user of the streets. As a matter of equity and justice, the community might well carry the matter further and itself assume such part of the cost of service as represents benefits received by it from the service, as distinct from the benefits which the car rider receives. The difficulty of correctly assessing such benefits presents an obstacle, but not, however, an insurmountable one. The city of Chicago did propose in connection with the construction of city owned subways, that the cost should in part be borne by the property benefited, the assessment to follow much the same form used in assessing the benefit of street openings.

Two forms of public contributions are now provided by the laws of Massachusetts, the first through the temporary assumption by the State of deficits in the cost of service to be later repaid from the earnings of the company; the second, direct payments by the

communities for the purpose of keeping down the rate of fare. In neither case, however, is the proposed relief anything more than an emergency measure. In the first instance it constitutes merely the loaning of the State's credit and funds for the purpose of improving the credit of the enterprise and is not a direct recognition of the community's obligation to the service. In the second instance, the basis of payment is the difference between pre-war and post-war costs, so that it must be considered as a temporary expedient to meet a particular emergency and not the recognition of a general principle.

The interest of the investor both in relief from public charges and in the contributions towards the cost of the service, is as to the degree of surety given to his investment. The matter of assessments against the car rider through the medium of the transportation company, as well as the extent to which the public shall contribute to the cost of service is primarily a question between the car rider and the general community. It affects the investor only as it gives or fails to give assurance that adequate revenues will be forthcoming from which his return can be paid. As the cost of the service reaches a point where fares become so high as to prevent riding, the ability of the company to earn adequate revenue is affected and the necessity arises of relieving the enterprise from charges which make high fares necessary, or of calling upon the general community to bear that part of the cost of service which may be equitably charged to it because of the benefits which it receives.

CONCLUSIONS

Rate of return depends in large measure upon assurance of return, which is only present if the revenues of the enterprise be sufficient.

Revenue of local transportation enterprises comes from two principal sources, the user of the service and public contributions.

Taxes, imposts and other public charges, are ultimately paid by the car rider, either directly through the fare charged, or indirectly in decreased service.

Local transportation enterprises perform a social and community service, in addition to that performed for the direct user of the

service, which justifies, if necessary, the assumption of some part of the cost of service by the community as a whole, and makes special taxation and the levying of special imposts upon these enterprises unjustifiable.

CHAPTER SEVEN

The Provision of Revenue

Return — Revenue from Operation — Price Dependent Upon Cost — Elements of Cost — Power of Enterprise to Control — Necessity of Automatic Adjustment — Delay in Adjustment and Its Effect — Determination of Proper Rate Not Difficult — Fare Systems and Rates of Fare — The Prevention of Frequent Fluctuations in Rates.

It is to the fares received from the car rider that local transportation systems must look for the greater part of their revenue and it is therefore with the assurance that these will be sufficient to cover the expense of the business that the prospective investor is chiefly concerned. There can be no doubt as to the correct principle to be applied. It has been developed through the economic experience of the world through all time. The price of any commodity, whether it be material or service must be based upon its cost and changes in price must respond to changes in cost. The costs of conducting an electric railway enterprise may be thus grouped:

First, the cost of operation, i. e., those charges which arise because of actual operation of the cars, including the maintenance of the physical property, both through current repairs and renewals and through reservations against wear and obsolescence;

Second, the cost arising through taxes and imposts, which include all of the various charges levied against the enterprise by government;

Third, the cost of capital, including the return paid for its use and such items as discount on securities which arise from the expense of securing investment.

All of these elements of cost are variable. Not one of them can be estimated for any considerable period. Each is controlled by circumstances over which neither the enterprise nor the community has extensive control. They are affected not only by the purchasing power of the dollar, but by the particular conditions surrounding the conduct of each enterprise. Thus, cost of operation varies with geographical conditions, the proximity of fuel supply, the availability of hydro-electric power, the prevailing rate of wages, the topographical lay-out of the community, the service requirements of the public, and numerous other factors. The cost arising from taxes and imposts varies according to the policy of government in its treatment of the enterprise. The cost of money varies with the attractiveness of the investment and the general conditions of the money market.

The price of the commodity sold, transportation, must invariably in the end be governed by these costs, otherwise the enterprise must cease. Economic law dictates that either the fare received shall be sufficient to cover the cost, or the service decreased so as to come within the price. There is no escape from this conclusion.

It is therefore evident that assurance of return can only be given the investor if there be provided some method by which price can be quickly and automatically adjusted to meet the cost of the service upon which it is based. Attempts to adjust it through contracts fixing rate of fare have failed, because it has not been possible to accurately, or even approximately, determine in advance and for any considerable period the cost upon which the fare should in justice both to the public and the enterprise be based. Attempts to adjust it through the determination of legislative bodies, or through commissions to which the powers of legislative bodies have been delegated, have been almost equally futile, because the process is so cumbersome and slow and so subject to interference from causes alien to the issues that loss to the enterprise almost invariably follows.

Delay in adjusting price to cost prevents continuity of return and so decreases the rate of return. It is for this reason that the process of rate readjustment through the usual utilities commission

procedure is not sufficiently responsive to meet the requirements either of service or of investment. By this method rates are increased or decreased not in step with the variations in cost of service, but long after such increases or decreases have occurred, and in the case of increases there is almost invariably a long period during which the enterprise has insufficient revenue, either to provide the service which should be furnished, or to pay the return to which the investment is entitled.

Yet the determination of the correct price for the commodity furnished by transportation utilities presents no difficulties. The elements that go to make up cost are perfectly well known. The calculation of such costs is a matter of accounting, the principles of which have come to be universally recognized. Under a system of regulation, such as now exists in almost every State and every community, the methods and practices of operation are, or can be, controlled by the representatives of the public, the taxes and imposts are dictated by the public and the return to be allowed is a matter of the prevailing cost of money.

The price is therefore not a matter to be based upon judgment, but is a matter to be based upon fact, and as such can be *automatically* adjusted to at all times meet cost.

The province of judgment lies outside the question of price. Its business is to deal with the efficiency and economy of operation and with the *system* of fare charges through which the price of the commodity is collected. To ascertain the total amount of revenue which must be obtained to pay the cost of service is a question of arithmetic; to determine the system of charges by which this revenue shall be obtained is a question of judgment. There is today no general agreement upon any particular system of local transportation fares. Flat rates, distance tariffs, zone systems, charges for transfers, commutation rates, rates varying with the class of service rendered, and a number of other forms, each have their advocates and each is in effect upon certain properties. The problem is to find that system of charges which will induce the greatest riding at the same time that it produces sufficient revenue. The answer cannot come from academic discussion but must be reached through experimentation. The industry has passed out of the area of a fixed flat five-cent rate into

a period of readjustment of fare charges to meet changed conditions. No man or body of men can now say as to any particular system that it is the best under all conditions and for all communities. There must in the interest of everyone concerned be given wide latitude to those in charge of or in authority over the enterprise in working out a solution. For that reason it is undesirable at the same time that it is unnecessary, in providing for the automatic adjustment of price to cost, to go further in fixing fares than to stipulate that they shall be sufficient to provide the cost of the service. So far as the investor is concerned the object sought will be attained if the revenue produced is adequate, while the interest of the public will be protected if the return to the investor be limited by the considerations which have been set forth.

It is manifestly undesirable that in any form of rate adjustment there should be frequent fluctuations. The use made of local transportation, and consequently the revenue derived therefrom, is affected by numerous temporary changes which have a marked effect upon it. Weather conditions, community events which attract added riding and other factors, all bear upon revenue collected, so that were price, absolutely and at all times, to follow cost, almost daily changes in fare would be necessary. Frequent changes involve more or less expense and inconvenience. Such variations can be absorbed in the same way in which they are taken care of in unregulated business,—through the operations of reserves. In other words, as price fluctuation is prevented in an ordinary commercial business, through payments to cost from surplus, so it can be prevented in the business of local transportation by payments from a fund set aside and dedicated to that purpose.

Through the operation of such reserves, fare increases occur only at such periods, as give plain evidence that the increase or decrease is necessary because of more or less permanent causes and not merely passing and temporary variations in revenue. Moreover, they insure sufficient funds to at all times provide that the quality and extent of the service prescribed will be maintained and that the return to the investor will be paid when it is due and will not be interrupted.

Assurance of return, upon which the rate of return which must be paid to attract capital for public utility enterprise depends, can be obtained, first through automatic regulation of price in accordance with cost, and second by the assumption of the communities of such sufficient portion of the cost of the service, as will make possible a rate of fare that will encourage, and not discourage, riding.

CONCLUSIONS

The main assurance of return upon capital used in local transportation must come from the provision of sufficient revenue derived from charges levied against the users of the service.

Such charges should, therefore, be automatically adjusted to provide the full cost of the service, including a fair return to capital.

The interests of the public will be protected, if in this automatic adjustment of price to cost the main consideration be the provision of sufficient revenue, leaving the system of charges to the determination of the management, acting with the approval of the regulatory authorities.

It is essential to efficiency that provision be made against too frequent fluctuation in the rates of fare, while at the same time a continuous return be assured.

CHAPTER EIGHT

Management and Control

Management as Distinct from Capital a Necessity to the Enterprise — Its Nature — Cannot Be Obtained without Reward — Its Relation to the Car Rider — Provision of Incentive — Regulation and Management — Theory of Regulation — State and Local Regulation — Importance of Public Co-Operation — Supervision versus Management — Authority and Responsibility Inseparable — Prescription of Public's Right to Demand Service — Control over Operation — Maintenance — Finances — Arbitration.

We have discussed the conditions under which private capital may best in the public interest be attracted into the conduct of local transportation. Capital is, however, but one of the two things which is essential to the successful operation of the enterprise. Management is equally important. Indeed, the argument

most frequently advanced in support of private operation of public utilities is that *private management* is better than *public management*, not that private capital can be secured more cheaply.

If a community's object be merely to secure certain sums of money for public utility purposes, there is ordinarily no need of attracting private enterprise to the business. The money may be more readily and more cheaply obtained by pledging the community's credit. But experience has shown that the money once obtained, its expenditure to provide the service desired, and the conduct of that service after the facilities to produce it are provided, cannot in the first instance be made, and in the second instance be carried on as cheaply and efficiently by the communities directly, as by private enterprise enlisted in the community's service.

Management is more than mere direction or supervision. It includes business wisdom, foresight, initiative, vision, the ability to plan for the future as well as to provide for the present. Upon it depends the success or failure of all enterprise. To be successful it must bring experience, training, knowledge and executive ability to its assistance. The attributes which make for good management are those which are the most ardently sought for and the most amply rewarded in the commercial world, and it is idle to think that they can be obtained for public service unless they are similarly rewarded.

The return which mere capital demands is in the nature of interest, such as it may obtain if it be loaned, as to a bank, or upon a real estate mortgage, or to State or municipal government. If in addition to the furnishing of money upon good security the public requisitions management of the same kind that creates, builds up and expands private enterprise, it must furnish *incentive* as expressed in the return which management as distinct from, yet attached to capital, may secure in other fields of activity.

The efficiency of management in private enterprise is in all but exceptional cases reflected in the profits secured and its award come from those profits. They constitute the yardstick by which efficiency is measured and at the same time are its reward. In the present imperfect state of human development there is no other practical incentive to industrial effort and industrial efficiency

than the hope of pecuniary profit, and any attempt to conduct an important enterprise, without a recognition of the fact that its successful operation, insofar as that success relies upon the qualities which make for good management, depend upon the incentive in the way of profit, is unquestionably doomed to failure.

Restricted merely to wages, capital and management are bound to perform a routine job and no more. The responsibility of the enterprise is not theirs and will not be assumed voluntarily. It is only when reward depends upon the *manner* in which the task is performed that the best efforts of the performers can be secured. It is initiative, it is energy, it is vision, that the community wants from management, and for these qualities it must pay.

Therefore, in addition to the return which capital as such must have if it is to be secured for the business of local transportation, there is the return which management must be given, and this return must be, not a fixed stipend to be paid irrespective of the service furnished, but a share in the revenue produced, depending in amount upon the degree to which the prime qualities of management are exercised.

Good management creates a benefit to the car rider. It should be exerted in his interest and the profits which it creates should be shared as between the car rider and the management in such proportion as will provide a sufficient incentive to bring out the best qualities of management. If the general community receives a portion of the profits, it is, in theory and in fact, a contribution levied upon the car rider and not warranted by any privileges granted or task performed, in connection with the service, by the community.

The failure to provide incentive to management has been urged as a fundamental weakness of the earlier service at cost agreements. Such failure is, however, an omission which can readily be corrected and it cannot be too strongly urged that reward for management is a proper and very necessary element in the cost of service, which must be paid from the revenue collected if the best service is to be provided.

The right of government to control and regulate public utilities is beyond question. Within the restrictions imposed by the Fourteenth Amendment to the Constitution of the United States; which

forbids the taking of property without due process of law, government may prescribe both rates and service and the manner in which money shall be secured for public utility purposes.

Such power of regulation in the case of intra-State utilities is possible under the police powers of the *State*, and is to be exercised for the benefit of the people of the entire commonwealth. Unless specifically delegated by the constitution of the State to the communities, this power is vested in the State Legislature, to be exercised by the Legislature directly or by delegation. These principles have been firmly established by the decisions of the Supreme Court of the United States, and have been recently reaffirmed in a number of decisions directly affecting local transportation companies.

The theory as to local transportation lines especially is easily understandable. The highways of a State are in truth its arteries of communication. The co-ordination of the various units forming the State is impossible without them. The State must therefore control them as a measure to secure its own existence, for otherwise that communication and close relationship between its various parts would be at the mercy of local communities. The streets of a city are a part of the State's highways and the power of the State over them is as complete as are its powers over the roads and highways outside of cities and such authority as communities exercise over their streets are, except where by the State Constitution police powers have been delegated to cities, as in the case of Colorado, only such as the Constitution or the Legislature has specifically granted to them and are at all times subject to the superior power possessed by the Legislature acting for the entire people of the State.

As a matter of convenience, however, the delegation of the Legislature's power of regulation to some better equipped and more readily responsive body is essential to proper administration. Whether this delegation of power be directly to the communities, or to a State commission acting for the Legislature, and possessed of legislative, judicial and executive power is a question that should be determined by practical considerations, among which there may be cited these:

First, Efficiency — Can a State commission, removed from the influence of local prejudices, local jealousies and local ambitions, and necessarily better equipped in the way of a supervising staff of experts, better regulate the practical operation of a local transportation system, than can a city officer, or officers, although the latter may be in more direct touch with the specific local needs and conditions?

Second, Popular Confidence — Can a State commission secure the same degree of public co-operation, an important element in the operation of a transportation system, as can local officers?

Third, Equity — Considering that practically all local transportation lines operate as a unit in one or more communities, can control of such operation be given to one community to the exclusion of another, and if such control be divided among several communities will the resulting conflict not be sufficient to interfere with the most efficient conduct of the lines in any of the communities?

As directly affecting the companies operating the transportation system the important consideration in relation to the method in which control shall be exercised is as to the degree which public co-operation may be secured. Good operation cannot be had, fares cannot be maintained at a desirably low level, and service cannot be properly provided, unless both the car rider and the local public authorities co-operate with management. The measure of the co-operation forthcoming will always depend upon the extent to which the problems of operation are understood by the car rider and the local public. The close relation between cost of service and the latitude for efficient operation permitted by the communities is evident to any student of electric railway problems. Schedule speed, for example, is one of the most important factors in the cost of service and depends to a very large degree upon traffic regulation, which in turn is in the hands of local authorities. This and other important operating economies are dependent not upon any powers which a State commission may exercise, but upon the action of either the car rider or the local authorities. An important objective of local transportation management must to secure

local co-operation, so that in considering the relative advantages of State or local control, the extent to which each will bring about co-operation must always be kept in mind.

So far as the principles under which regulation should be exercised or concerned, they are equally applicable to both State and local control. The method of determining fares, which has been here discussed, is merely the theory under which State regulation of rates has all along been exercised, carried to its logical conclusion and so framed as to substitute rule for judgment, eliminating those elements, which tend in the first place to cause delay, and in the second place, to cause uncertainty. The method of regulating finances and service should be no different with local control than they have been with State control.

The function of a political regulatory authority is supervision and direction — not management. There is a clean-cut distinction between the two. It is the business of the public representatives to prescribe the service to be furnished in the first instance, and in the second instance to see that the service so prescribed is furnished. They should be fully qualified and equipped to perform these duties. The responsibility of furnishing the service prescribed is a responsibility of management, whose business it is to furnish it at the least cost and with the greatest degree of efficiency. This is a technical task requiring special skill and training. The responsibility to perform must be accompanied by the authority to perform and when regulatory authorities assume the functions of management, they not only deprive management of authority, but they relieve it of responsibility. The successful operation of a transportation utility is a more or less complex and involved performance. It requires a high degree of executive ability and judgment and it cannot be accomplished in detail by prescribed rules and regulation. The details as well as the broader policy which call for the exercise of judgment are those upon which the success or failure of the enterprise depends. When management is relieved of responsibility in connection with them, through the assumption of authority by regulatory officers, then the very purpose for which management is enlisted and rewarded is defeated, and the entire operation of the utility might well be assumed directly by the public.

Regulation is effective, when management is held responsible for the furnishing of prescribed service, and it is not effective when authority, and hence responsibility, is removed from management.

Under a system which provides for the automatic determination of fares the remaining function of regulation is, *first*, the prescription of service and the enforcement of the prescription, *second*, the supervision and audit of the charges which make up the cost of service. Theoretically, there is no reason why if fares be automatically increased so as to provide revenue sufficient at all times to cover the cost of service, the public, acting through the constituted authorities, should not be permitted to prescribe service to the extent and of the quality which it may desire. Practically, however, an obstacle presents itself in the possibility that service of such an extent and quality will be prescribed as to make it impossible to meet the cost at any rate which can be collected. There is unquestionably a rate of fares or system of fares for each community, which will attract the greatest number of riders, while providing the requisite revenue to cover the cost of service. It is this rate of fare which should logically determine the kind of service to be furnished. To charge a higher rate is to discourage the use of the facility, which is opposed to the public interest; to charge a lower rate means either a deficit in revenue, or a reduction in the service below what the general public is through its fares willing to pay for.

The prescription of service beyond the point where the necessary fare supplies the maximum of riders and provides the full cost of service puts into operation the law of diminishing return and it is entirely possible to require service to an extent which would make it impossible to collect its cost under any rate of fare, since the falling off in the *number* of fares would more than offset the increase in the rate of fare.

If it were possible to ascertain the rate of fare described, i. e., the rate attracting the maximum number of riders consistent with the payment of the cost of service, the prescription of service would be a comparatively easy matter, and a standard could be set up which would make the task of regulation simple. So many factors are, however, involved, including the system of charges

whether by distance, zones or under a flat rate, the merchandizing of the service, the changing habits of the communities, their requirements as to rapid transit and other considerations, that here again the element of judgment enters, and it is necessary for the protection of the enterprise that there should be a limit put to the powers of the communities to require service. This limit may well be, so far as the interest of the enterprise is concerned, the ability of the system to earn the cost of the service at the fare necessitated, although in the general interest of the public another and much more stringent rule might be required. Within the limits thus fixed, it is entirely the province of the community to prescribe service, and by service is meant not only that which may be provided with existing facilities, but also that which requires extensions, betterments and permanent improvements, and it is the plain duty of the enterprise to provide such service as may be so prescribed.

Since the price which the public is required to pay for local transportation is based upon the cost of furnishing the service, it is no more than justice that the items of this cost should be under the supervision and audit of the public's representatives. To determine the form of such supervision, it is necessary to examine more closely into the nature of the items of cost. These are

Operating cost.

Maintenance cost, including not only current maintenance, but payments to reserves for future replacements and renewals;

Public charges, including taxes and all imposts;

The cost of money, including first, return, and second, the expense of securing capital.

There need be no divergence of opinion as to definition in connection with these items. Electric railway accounting has for a number of years been upon a stable basis. The methods prescribed by the Interstate Commerce Commission, are either in form or in substance, in general use throughout the industry. The principles of the Standard Classification of Accounts are universally recognized as correct and may be applied to any operation with justice to these concerned. The object of supervision is, therefore, to

check unnecessary or excessive expenditure and to prevent carelessness which may arise from the practical assurance that revenue will be provided to pay any expenses incurred. The importance of this form of regulation is in inverse ratio to the sufficiency of provisions whereby the rewards of management depend upon the results of operation. If careful, economical and efficient operation accrues to the benefit of the management as well as to the community, then the necessity of supervision by the public authorities is correspondingly diminished. The need of some degree of control, however, remains because it is as important to the service that operating expenditures should be ample as it is that they should not be excessive.

Expenditures for operation, maintenance and depreciation should have no effect upon the return upon the property. Regulation under so-called service at cost agreements is not regulation upon a "cost plus" basis. In the latter case, return depends upon the amount *expended* while in the former case the amount *invested* determines return and the amount expended has no bearing. This is an exceedingly important distinction, since the two principles bear no relation whatever to each other and the objections that are urged against the "cost plus" method do not hold as to service at cost.

Several methods of the supervision of the cost of operation are possible. One involves the fixing of allowances for operating purposes based upon operating units such as the car mile. This method has the virtue of flexibility insofar as it permits expansion of the total amount of service so long as unit costs are kept within the stipulated unit allowance. It does not, however, provide for changes in cost during the period for which it is fixed, and to this extent is in itself, if strictly adhered to, a prescription of the quality of the service, since the effort of management will naturally be exerted to keep the service without the bounds of what can be paid for by the allowance made. If these allowances be fixed by the terms of the grant under which the utility conducts business, the result is the setting up of standards of operating cost, apt to prove insufficient in periods of increasing expense and too great in periods of decreasing expense.

Another method provides for a budget system, whereby an estimate of receipts and expenses covering a fixed period is submitted by the utility for the approval of the public authorities, who have the power to fix the amounts to be expended. In these cases, the objection that with the total amount of expenditures fixed there can be no increase of service to meet contingencies unforeseen at the time the budget was adopted, is overcome by provisions whereby supplementary budgets may from time to time be presented, which if approved permit expansion in expenditure.

Still another form of supervision provides for the audit of all expenses by the public authorities, who have the power to disallow or reduce items, and so prevent their payment as a part of the cost of service. All of these methods involve the exercise of judgment on the part of the regulating authorities and present opportunities for disagreement, between the management and the regulatory officers.

Insofar as strictly operating costs, such as wages, the purchase of materials, and similar items are concerned, the likelihood of disagreement is not great. Such costs are matters of record and of fact, and for this reason are susceptible of proof. The question of the maintenance of the property, both through current repairs and renewals and through the operation of reserve funds for future replacements and renewals, is not so easy of adjustment. Here judgment is the controlling factor, and electric railway practice has not been sufficiently developed to permit the setting up of standards recognized as authoritative. Two objects are sought to be accomplished by maintenance. *First*, the keeping of the property in efficient operating condition; *second*, the preservation of the investment, by maintaining value either in property or funds to the full value of the investment. One hundred per cent condition is unnecessary to achieve the first object; 100 per cent condition as represented either by the physical property, or by reserve is essential to the second. As a part of the cost of service, there must be collected an amount sufficient to accomplish this purpose. The proportion of the amount that shall be currently expended and the proportion that shall be accrued for future expenditures is a matter of judgment and the difficulties connected with its determination are many.

Among the methods of determination, advocated or in practice, the most prominent are *first*, the fixing of a maintenance allowance based upon the operating unit of the car mile, with the accrual of the balance not currently expended as reserve against future renewals and replacement, *second*, the fixing of a percentage of either gross revenues or investment value to be collected as a cost of service and apportioned arbitrarily between current maintenance and reserve, *third*, the setting aside of arbitrary amounts for so-called depreciation and the fixing of current maintenance expenditures by the budget system. The business of supervision in respect to costs occasioned by maintenance is to see that the car rider pays his full share of the cost of the property worn out in his use, but that he does not pay more than his share for the benefit of future car rider, while the interest of the management is in the preservation of the property value which is behind the investment it represents.

Those elements of the cost of service represented by taxes and public imposts are outside of the control of the enterprise. Their regulation is primarily a matter between the car rider and the general public. If the community so determines, they must be collected as a cost of service without question and consequently they may be disregarded in the present discussion.

The supervision of charges against service caused by payments on account of return to capital may be based upon either of two general theories: *First*, that the value upon which a return shall be allowed and the rate of that return having been fixed, the public interest requires only that any addition to that value shall receive the approval of the public authorities, thus permitting the enterprise to make use of any lawful method of financing and giving to it the entire disposal of the return; *second*, that strict control and direction of all the methods of financing, including the issuance of securities, as to their nature, the price sold, and the return thereon, should be exercised by the public authorities.

The advantage of the first method of control is the freedom allowed to the enterprise in readjusting its affairs to meet new conditions caused by the revaluation of its property. Under this plan neither the amount nor the character of the securities outstanding concerns the public. They may be allowed to stand as

originally issued if this be considered advisable or desirable and readjustment then takes place in the distribution of the total return among the various classes of securities rather than in complete financial reorganization so as to adjust the face value of securities to the value upon which return is received. It further permits, as to new capital issues, the adoption of that method of financing which may be to them most attractive.

The second method has the advantage from the standpoint of the enterprise of giving authority and stability to its securities. That they are issued with the consent and approval of the authority upon whom the return depends undoubtedly gives them a better standing in the financial market. Moreover, it makes easier the adoption of methods which gives flexibility to the rate of return allowed. As has already been pointed out, the rate at which money can be borrowed for any purpose is constantly changing. Under a system of regulation by which the rate of return is fixed for any considered period, variations in the cost of new capital must be absorbed through the sums paid to the enterprise on account of return. This is particularly important as affecting charges against the cost of money, such as discount on securities.

Unless these charges be amortized from earnings, they increase the rate of interest which must be continuously paid until the securities are retired. This must be a prime factor in determining the rate of return allowed, and if absorbed through the allowance permitted the enterprise should have a material effect upon the rate. Indeed, it is to be doubted whether any community would ever consent to a blanket rate of return high enough to both absorb discount on securities and at the same time afford a sufficient recompense for the capital invested.

Flexibility in the rate of return provided is as important to the acquisition of new capital as is flexibility in the rate of fare. It is provided either in the interest rate or in the price at which the securities are sold. The mere stipulation of a rate of interest to be allowed upon securities does not mean, even if they be disposed of, that the rate stipulated is the rate which the enterprise must pay for the money secured, since to the extent that they are sold under par, the interest rate is increased.

It is, therefore, important that security issues to provide new capital should conform as to interest rate and terms with the conditions of the money market at the time of their sale in order that the funds may be acquired at the lowest cost. The nature of the securities which command the largest sale sometimes change with the changing conditions in the financial world, and it is impossible to set hard and fast rules. These are some of the reasons why the close regulation of the issuances of securities is urged as a measure for the protection of the investment as well as in the interest of the investment. It is to be again pointed out that in the matter of this kind of regulation the question of judgment enters to a large extent.

Wherever regulation rests upon judgment there is opportunity for disagreement and dispute. The regulatory authorities, whether they be officers of the State or officers of the community, must necessarily act with a bias towards the public standpoint. Hence, the necessity in the interest of the enterprise, that there should be some form of appeal from their decision. They are not and should not be judicial officers. They must, to a certain extent at least, be partisans, and with such almost absolute control over the important question of service and finance, might very well, through unreasonable requirements, destroy both the integrity of the investment and prevent a fair and reasonable return. It is essential, therefore, that appeal either to arbitration or to some judicial tribunal be provided. Without such provision, the enterprise is completely at the mercy of the regulatory officers, who are charged with sufficient power to wreck the enterprise, either through unwise decision or with deliberate intent.

CONCLUSIONS

Management as distinct from, yet attached to, capital is essential to a local transportation enterprise and can only be secured if it be attracted by the hope of pecuniary profit.

The reward for management should depend upon the efficiency and economy exercised by it. If profits be considered the product of good management, they should be shared as between the car rider and management and not with the community.

Regulation is distinct from management, and when it attempts to perform the functions of management assumes responsibility to the degree that it takes away authority.

The province of regulation is to prescribe service and to see that this prescription is carried out.

The right of communities to prescribe service is limited only by the ability of the enterprise to collect the cost of the service so prescribed.

Right of appeal from orders of regulatory authorities, either through arbitration or to the courts, is essential to the protection of capital.

CHAPTER NINE

Existing Plans Considered

Six Essential Principles Governing Relations Between Communities and Private Enterprise Engaged in Local Transportation Service—Extent to Which They Are Applied in Existing or Proposed Service At Cost Plans—Inclusive and Exclusive Rights—Indeterminate Permits—Provisions for Proper Maintenance—Assurance of Return—Flexibility in Rate of Return—Reward for Management.

In the preceding pages, certain fundamentals have been outlined as being essential to the protection of capital invested in local transportation enterprises and to the attraction of money into this character of public service. It will be of interest to set up these principles one by one and apply them to existing or proposed service at cost agreements in order to ascertain the extent to which they are in actual practice in the regulation of the relations between communities and local transportation utilities as provided by such agreements.

The first of the principles may be thus stated —

The Protection of Capital Invested in Local Transportation Requires that it be Given an Inclusive and Exclusive Right to Furnish a Local Transportation System by Whatever may be the Best Means.

No recognition of this principle is to be found in any of the agreements or plans which we are discussing. These franchises are not inclusive, by which is meant that they provide for but

one form of transportation, very largely for the reason that up to the present time there has been no adequate realization of the importance of the motor vehicle's part in local transportation, nor of the fact that this part to be really effective must be that of an auxiliary and adjunct to the electric railway. Only in the Montreal franchise is recognition given to the motor bus. Here it is required of the company that it shall operate buses at the direction of the Montreal Tramway Commission, but only if such operation entails no burden upon the cost of the service. In other words, bus routes and lines established must be self-supporting. Other agreements are silent as to transportation other than that upon rails, although in most of them the possibility of a change in motive power is recognized by provisions which empower the communities to consent to the use of motive power other than electricity.

The object of both the Chicago and Philadelphia agreements was to secure for the respective cities a complete and unified "system" of local transportation, for which purpose the operation of rapid transit lines, both on elevated structures and in subways to be built with the city's money and owned by the city, was provided for, while a similar object was set forth in the Dallas franchise, yet in no case was it considered of importance to include in the basic instrument by which a unified system was to be secured the operation of motor vehicles. Indeed, there are still many States in which motor buses have not yet been formally recognized as common carriers, subject to the statutes that control common carriers. The danger of this omission in franchises, as it affects investment, is obvious. Controlled, regulated and restricted on the ground that it is properly a non-competitive enterprise, the street railway may be, and often is, faced with a form of competition peculiarly unfair and harmful because it is not subject to the same control, regulation and restriction.

It is perhaps because of lack of complete control over their own streets that more communities do not grant full rights to operate street railway systems, but confine these rights to certain specified lines and routes. Many State Constitutions and more State laws require the consent of abutting property owners to the construction

of street railway tracks in their highways, thus removing from the community the exclusive right to say where and when street railway lines shall be built. Moreover, the idea of regulation through competition is still alive, and the possibility of competing lines built and operated by the city, or by an enterprise other than that to which the franchise has been extended, is not lost sight of. The right of the city to build and operate such lines is especially reserved in the Youngstown franchise, while in Cleveland it is provided that the City may, within a certain prescribed district, compel the company to permit the use of its tracks by other companies. The Massachusetts Acts do not extend the rights of the companies. The two Denver ordinances aim simply to provide an automatic form of rate regulation and other terms of the Company's franchises are unaffected thereby. In Minneapolis, Cincinnati, Montreal and Westerville, the grant is for particular route and streets to be added to at the pleasure of the City. In Memphis, service at cost is provided for by an order of the State Utilities Commission, which does not add to the franchise rights of the Company.

The Protection of Capital Invested in Local Transportation Requires that unless Provision be made for the Amortization of the Difference Between its "Scrap" Value and its Value as a Going Enterprise, its Right to Conduct Business shall be Terminable only upon Purchase by the Community, or by a Licensee of the Community.

All Massachusetts street railways operate under a form of indeterminate permit, not affected by the acts which are under discussion. The Dallas franchise is terminable only upon purchase by the City or a licensee of the City, while the proposed Chicago franchise was terminable upon City purchase alone. The proposed Philadelphia agreement was for fifty years and that effective in Montreal for thirty-five years. Under the Ohio law, no franchise may be granted for a longer period than twenty-five years and the Cleveland, Cincinnati, Youngstown and Westerville grants were accordingly for this term. The proposed Minneapolis franchise was also a twenty-five year grant, while in Denver and Memphis no new grants were involved.

In all of these term franchises, with the exception of that effective in Montreal, some provision is made for the amortization of investment. The provisions of the Cleveland, Youngstown and Westerville grants are much alike, and provide that when the grant has less than fifteen years to run, which makes them, unless renewed, effective in their most essential features for ten years only, control of rates and service, as well as extensions, pass from the community to the company, which is permitted to charge the highest rate permitted by the grant in order that the difference between Capital Value as stated in the grant and salvage value may be amortized in the remaining fifteen years. The consequence is that the grant is no sooner in effect than negotiations for its renewal are under way, with resulting disturbance.

While the Cincinnati grant does not contain provisions of the same character as those of the other Ohio franchises, it does provide for sinking funds, to take care both of initial capital and such added capital as may be raised from the sale of bonds. The rejected Philadelphia franchise had similar provisions, both as to the property in the unified system owned by the company and that owned by the city. In the later case, however, the provisions were not as stringent.

In Minneapolis, an amortization fund was created, to be accumulated by the payment into it of one-half of one per centum of capital value each year, until an amount, defined by the grant as the intangible value of the property was equalled. Thereafter the amount to be paid into the fund was to be fixed by the city council.

The third of the principles —

The Protection of the Investment from Attrition, i. e., its Wasting Away in the Public Service Without Replacement, Requires Adequate Provision from Revenue Both for Maintenance and for Reserves for Depreciation.

In Cleveland and Youngstown, a maintenance, depreciation and renewal fund, is accumulated from a monthly allowance based on the revenue car mileage of the system for the month, and changing with the period of the year. Such of the Fund as is not expended for current maintenance goes into a reserve for

renewals and replacements, to be expended only with the approval of the city authorities. No special provision is made for depreciation, and as a matter of record there has during the life of the Cleveland grant, either been a deficit in the fund, or an inconsiderable balance.

In Cincinnati, the amount to be expended for current maintenance, repairs and renewals is fixed in the annual budget and is subject to the approval of the city authorities. In addition there is accumulated a special fund to provide for depreciation. For the first five years of the grant, the amount paid thereinto, shall equal that formerly set aside by the company. After five years the amount shall be that fixed by the State Public Utilities Commission. The fund is to be used exclusively for replacements and renewals. In the event of purchase by the city the amount then in the Depreciation Fund shall be deducted from the purchase price and becomes the property of the company.

By the terms of the Boston Elevated Act, the trustees operating the property are enjoined to "make such provision for depreciation, obsolescence and rehabilitation, that, upon the expiration of the period of public management and operation, the property shall be in good operating condition." Depreciation and obsolescence are specified in the Act as items in the cost of service, but the amount to be set aside therefor is left to the judgment of the trustees. It will be noted that the language of the Act, provides for nothing more than the maintenance of good "operating" condition, something apart from the maintenance of full investment value, although by the practice in Massachusetts investment value is recognized as that upon which a return shall be paid.

In the act providing for cost of service for Massachusetts electric railways other than the Boston Elevated and the Massachusetts Eastern current maintenance is included as a part of the cost of service and, in addition, it is provided that there shall be set aside such allowance for depreciation, obsolescence and losses in respect to property sold, destroyed or abandoned as the Commission shall from time to time decide upon.

In Montreal payments on account of "maintenance, renewals, replacements and substitutions" are included as items in the cost

of service. The allowance is fixed on the basis of revenue car miles operated and paid into the maintenance and renewals fund, from which is paid the cost of renewals and replacements. Money is held in the fund until expended for renewals and replacements or expended for additions, extensions and permanent improvements, which when so paid for are not added to Capital Value. The grant provides that the Tramway Commission shall make such allowance as will keep the maintenance and renewals fund at \$500,000 or more, the initial value of the property being fixed at \$36,286,295.

In the Eastern Massachusetts Act, maintenance on the one hand, and depreciation, obsolescence, rehabilitation and losses in respect to property sold, are made separate items in the cost of service, the allowance for each to be such as will, in the judgment of the trustees, be sufficient.

"Maintenance, current and deferred" are made items in the cost of service by the provisions of the Westerville grant, the determination of the amount to set aside for the purpose being left to the company subject to the approval of the commission.

In the Dallas franchise the provisions for maintenance and depreciation reserves are elaborate. Current maintenance is provided for as an operating expense. In addition a repairs, maintenance and depreciation reserve is set up. When the highest rate of fare permitted by the grant is in effect, it is provided that this fund shall equal six per cent of property value. When any lower rate of fare is in effect the normal amount shall be ten per centum of property value. Ten per cent of monthly gross receipts are to be paid into the fund as the second major item of cost of service, and in addition, there shall be paid into the fund, such an amount of the gross receipts remaining after the payment of other specified items in the cost of service, as will bring the total for the year up to eighteen per cent of annual gross receipts. Such payments shall be cumulative until deficits shall be made good. Payments into the reserve cease when the normal amount is reached. The company shall receive no more than its minimum return until the amount in the reserve shall be at normal. This grant is peculiar in that it makes the amount of depreciation depend upon the fare

in effect, although wear, tear and obsolescence is in no way dependent upon rate of fare.

In the order of the State Public Utilities Commission affecting Memphis ordinary maintenance is included as an operating expense. In addition, a Renewal and Replacement Reserve is created to be used "for the sole purpose of providing renewals and replacements (other than ordinary maintenance) due to ordinary depreciation, obsolescence or abandonment." Expenditures from the fund are under the direction of the Utilities Commission. The fund was started with the amount that had been accumulated by the company for depreciation previous to the taking effect of the order, and there is paid into it three per cent per annum of the value of "depreciable" property (stated to be \$7,600,000 in a total Initial Value of \$11,846,034) until there shall be accumulated \$500,000. Thereafter when the balance in the fund is between \$300,000 and \$500,000, the same rate shall prevail; when the balance is more than \$500,000, it shall be reduced to two per cent, and when it is less than \$300,000, the rate shall be increased to four per cent.

In the defeated Chicago ordinance, the following distinction as between maintenance and repairs, and renewals is established by the language of the grant: "Renewals are hereby defined to be the replacement of any principal part of the local transportation system, or its equipment or appurtenances (including pavement) or subways." The trustees are enjoined to classify expenditures as between maintenance and repairs, and renewals. An amount equal to six per cent of gross receipts shall be spent for maintenance and repairs, or if not so spent shall be set aside in a maintenance and repairs fund to be later so spent. In addition, there shall be set aside each month, an amount equal to eight per cent of the gross receipts of the previous month, to be accumulated in a Renewals and Depreciation Fund. From this latter fund shall be paid the cost of all renewals, except such as are charged to Capital Account, and the balance not expended shall constitute the reserve for depreciation. The eight per cent allowance for the fund may be increased when in the judgment of the trustees this seems desirable and necessary.

In the rejected Philadelphia ordinance the amount to be expended for maintenance was left to the judgment of the company, subject to review by the Supervising Board. Three distinct depreciation funds were also established, one to cover the property of the city, one the property of the company used in connection with the operation of the city system (Note: This property was eventually to be purchased by the city), and the third, the remainder of the Company's property. The amount to be set aside for the three funds was left to the judgment of the Supervising Board, except that the accumulation of the fund to cover the city's property was not to begin until ten years after the date when the agreement became effective. The Company's Fund was to be applied to payments for repairs, replacements and renewals other than those paid directly out of gross revenues, expenditures from the fund to be approved by the supervising board.

In the rejected Denver Service at Cost Ordinance, the amount to be expended for current maintenance was to be fixed by the company in the annual budget subject to the approval of the city. In addition a Renewals and Depreciation Reserve Fund, to provide for "the replacement and renewal of tracks, cars, equipment, buildings and plant which hereafter shall become worn out, obsolete or useless, and for the general depreciation of the property," was to be provided, through sums taken from the revenues of the company. The amount to be set aside was to be "adequate and reasonable" and determined by the Board of Tramway Control. As a measure of adequacy the ordinance provided that for the initial value of \$20,867,750, a monthly allowance of \$37,500, should be deemed sufficient. In the Denver Elastic Six-cent fare ordinance there were no provisions.

In the rejected Minneapolis ordinance, repairs, maintenance, renewals and depreciation were all to be taken care of through the operation of the Repair, Maintenance, Renewal and Depreciation Fund. This was to be provided by the setting aside each month of one-twelfth of 2.75 per cent of Capital Value, the rate to be increased or decreased as the city council might determine. To the fund, there was also to be added amounts received from the sale of material or property sold, and from it was to be paid the cost of

maintaining the property, and of renewals and replacements other than those charged to Capital Account. The balance not so used was to be maintained as a reserve.

The fourth of the principles —

Assurance of Return is Necessary to Attract Capital into Local Transportation Enterprises Where Profits are Limited, and has a Material Effect upon the Rate of Return Necessary.

In the cost of service plans under consideration return is assured in greatly varying degrees. Even the provisions for flexible fares differ as to the assurance given. Thus while in Youngstown, Cincinnati, Boston, Massachusetts General Act, Montreal, Eastern Massachusetts, Memphis, Chicago, Denver and Minneapolis, fares may be indefinitely increased to meet the cost of service, in Cleveland, Westerville and Dallas, a top limit is fixed beyond which fares may not be increased without an amendment to the ordinance, and in Philadelphia the grant provided merely that the Supervising Board should, when a fare increase was necessary, file a tariff with the State Public Service Commission, which should then act as in all similar cases. The importance of assuring return by provisions which permit a rate of fare sufficiently high to cover the cost of service is shown in the case of both Cleveland and Dallas, in the former of which it was necessary to amend the grant to permit a fare high enough, and in the latter of which a substantial deficit in the cost of service has been created because there has been no amendment of the grant, and the highest fare provided is insufficient.

Even with the possible rate of fare unlimited, there remains the danger that the community, having the right to prescribe service and require extensions, betterments and permanent improvements, will impose a burden of cost upon the enterprise, which cannot be taken care of, under any possible rate of fare. In the plans effective in Cleveland, Youngstown, Cincinnati, the Massachusetts General Act, Montreal, Westerville, Dallas, Philadelphia and Denver, appeal from an order requiring service is provided for, either to the courts or to a board of arbitration erected according to the provisions of the agreement. In those

provided for Boston, the Massachusetts Eastern, Chicago and Minneapolis, no such provisions are included.

Direct guarantee of return is made by the provisions of the Boston Elevated Act, where if there be a deficit in the cost of service, it is made good from the State treasury, and an assessment to cover the amount is made against the communities served by the company, the funds thus advanced to be repaid when the revenue of the company warrants. A similar provision as to a portion of the new capital raised for rehabilitation is present in the Eastern Massachusetts Act, while the rejected Minneapolis franchise provided, as to new capital, that the city might either make direct loans to the company or guarantee the payment of interest on and principal of securities issued with the city's approval. These are the only service at cost plans in which provision is made for putting the credit of the city behind the securities of the company or assuring return to those who loan their money for this public service.

Direct contributions by communities to the cost of service are possible in Massachusetts, both under the provisions of the Massachusetts Eastern Act and under a general statute which provides that communities desiring to do so may levy taxes for the purposes of raising contributions to the cost of service in order to either reduce fares or to prevent an increase therein. In no other case are there provisions for public contributions, although in the rejected Philadelphia agreement the city reserved the right to waive rental charges upon the subway and other facilities furnished by it, on the theory that it could properly determine what proportion of the interest and sinking fund charges should be borne by the taxpayer and what proportion by the car rider.

In the matter of imposts and taxes, the relief afforded to the Eastern Massachusetts Street Railway Company by the Cost of Service Act, which provided that the company should be relieved from the construction and maintenance of streets, bridges and structures in connection therewith and from obligations in connection with the abolition of grade crossings and the undergrounding of wires, has been further extended by an Act passed in 1920, which relieves for a period of two years all street railway companies from payment of the so-called Excise Tax which was in

lieu of payments on account of highway maintenance. The Cleveland franchise relieved the company of the car license formerly paid, and of its obligation to repave streets, although it is still required to maintain pavement between its tracks and one foot outside thereof. Cincinnati collects a "gross earnings" tax fixed at \$350,000 a year, which is in lieu of all paving taxes and assessments. The Montreal franchise continues the use of the transportation utility as a collector of revenue for public purposes. Practically all of the former taxes are retained, and the city not only collects a rental of \$500,000 a year for the use of its streets, but in addition appropriates for its own use 30 per cent. of the profits arising from operation. The Westerville franchise neither waived nor added to the taxes and imposts formerly paid by the company. In Dallas the company was relieved by its franchise of the payment of all taxes except *ad valorem* taxes and special assessments for public improvements. Its obligation to pave, repave and maintain pavement between its tracks and two feet outside was continued. The Memphis order did not affect taxes or imposts. The rejected Chicago ordinance relieved the company of its obligation to clean and sprinkle streets whenever the cost of so doing necessitated an increase in fares. All other obligations were retained. The rejected Philadelphia agreement provided for the payment of a lump sum annually (starting at \$500,000 for the first 10 years and ending with \$700,000 after 30 years) in lieu of all obligations on account of paving, repaving, the maintenance of paving, snow and ice removal and all licenses. No provisions for waiving this charge were made. The Denver Service at Cost Ordinance relieved the company of the payment of a former franchise tax, amounting to \$60,000 a year, and from its obligation to pave, repave, maintain pavement, construct, reconstruct, maintain or improve bridges, viaducts and subways, except as to pavement or structures removed or damaged by it. The rejected Minneapolis franchise permitted the city, in order to reduce or to prevent an increase in fare, to waive requirements as to paving construction and maintenance, street cleaning, sprinkling and oiling.

The fifth of the principles —

In Order to Meet the Changing Cost of Capital the Rate of Return in Local Transportation Enterprise Should be Flexible.

In the first of the cost of service agreements, that in effect in Cleveland, the only flexibility of return provided was that upon money obtained through the sale of bonds. When bonds are refunded it is provided that the return allowed shall cover the rate of interest provided by the issue, plus such amount as will take care of the discount if they be sold at a discount, the total rate of return not to exceed 6 per cent. In the case of stock and floating and other debt, the rate of return was originally fixed at 6 per cent. Because it proved to be impossible, under financial conditions existing after the war, to secure new capital at this rate, the question was in 1919 submitted to arbitration, and on the recommendation of the Arbitration Board the rate was increased to 7 per cent. by an amendment to the franchise. The Youngstown agreement provides for a 7 per cent. return upon Initial Capital, and upon additional capital the rate fixed in the issue of stocks, bonds or other evidences of indebtedness through which the new capital is secured, such issues being subject to the approval of the city and the rate to be no higher than the lowest at which the money may be obtained. In the Cincinnati grant no rate of return for Initial Capital is provided, provision being made for certain specified amounts. Securities issued after the taking effect of the grant shall, as to character, form, the interest thereon, and the price at which sold, be subject to the approval of the city. The Boston Elevated Act provides for a fixed return, beginning with the taking effect of the grant at 5 per cent. and ending, after four years, at 6 per cent., upon common stock. Upon bonds and preferred stock, the return is to be that fixed in the issue, the State Trustees having the power to authorize for the company such issues. Upon a special issue of preferred stock sold to provide money for rehabilitation, the rate fixed at 7 per cent. Both the Massachusetts General Act and that applying to the Eastern Massachusetts Street Railway Company have provisions as to rate of return similar to that of the Boston Elevated Act, except that the

rate of return upon common stock is fixed at 6 per cent. from the time the acts become effective. The Montreal franchise, while providing additional return through an "operating profit" and by the division of surplus receipts, fixes the normal return upon all capital, except that obtained during the war and for two years afterwards, at 6 per cent. Upon the latter a 7 per cent. return is allowed. While there is no flexibility of return provided for in the Westerville grant, the difference in the cost of money at different times and under different circumstances is recognized. Thus, the rate upon Initial Capital is fixed at 6 per cent., upon New Capital at 8 per cent., and upon capital to be expended in a certain village at 15 per cent. In Dallas, the rate of return changes not with the cost of money but with the rate of fare in effect, varying from 7 per cent., when tickets are sold at the rate of 22 for \$1, to 9 per cent. when they are sold at eight for 25 cents. In Memphis, the rate of return is flexible between a lower limit of 6½ per cent. and an upper limit of 7½ per cent., but here again the flexibility is a device to secure managerial efficiency and the rate depends upon the condition of the Fare Index Fund, and not upon the cost of Capital. In the defeated Chicago ordinance, the return upon Initial Capital was fixed. For new securities issued, the return was to be fixed by the trustees for each issue. The same provisions were included in the Philadelphia agreement, except that new securities were to be issued by the company with the approval of the city. In the Denver Service at Cost ordinance, the return was fixed by the ordinance, increasing, in a period of somewhat less than two years, from 5½ to a 7 per cent. rate with additional allowances depending upon the rate of fare in effect. The proposed Denver Elastic Six-cent Fare Ordinance did not attempt to fix the rate of return. In Minneapolis, the rate of Initial Capital was fixed, while upon New Capital the company was to be allowed the rate of interest provided in the issue, as approved by the city, plus 1 per cent., except that the additional 1 per cent. was not to be allowed upon money loaned to the company by the city, nor upon security issues guaranteed by the city.

The sixth of the principles —

Reward for Good Management is Essential as Return upon Capital and should be Included as an Item in the Cost of Service.

In the Cleveland, Youngstown, Boston, Massachusetts General, Eastern Massachusetts, Westerville, Chicago, Philadelphia, Denver Elastic Six-cent Fare and Minneapolis plans, there is no provision by which good management is rewarded. In Cincinnati surplus remaining after the cost of service is paid is divided between the car rider and the company in accordance with the rate of fare prevailing. For the company to benefit by this provision, the rate of fare in effect must be six cents or less. In Montreal, the company for keeping expenditures within $2\frac{1}{2}$ per cent. of the annual budget allowances, receives an "Operating Profit" of one-eighth of 1 per cent. of the average Capital Value for the year. In addition, surplus remaining from revenues after the cost of the service has been paid, is divided 50 per cent. to the Fare Reduction Fund, 30 per cent. to the City and 20 per cent. to the Company. In Dallas the rate of return varies with the rate of fare in effect. If the fare be five cents, 22 tickets for \$1, the rate of return is 7 per cent.; if the fare be five cents, six tickets for 25 cents, it is 8 per cent.; if the fare be five cents, seven tickets for 25 cents, it is $8\frac{1}{2}$ per cent.; if the fare be five cents, eight tickets for 25 cents, it is 9 per cent. By the Memphis order the company is assured of a minimum return of $6\frac{1}{2}$ per cent. Deficits therein are cumulative and are paid from subsequent gross revenue before additions are made to the Fare Index Fund. If in any month the balance in this Fund be \$60,000 or more, the company receives a return of $7\frac{1}{2}$ per cent., unless it be necessary to deplete the fund below \$60,000 to make the payment. By the provisions of the Denver Service at Cost ordinance the company was to receive additional allowances in rate of return based upon the fare in effect. For any month in which a six-cent fare was in effect it was to receive one-twelfth of one-fourth of 1 per cent.; in any month during which a five and one-half cent fare was effective, one-twelfth of one-half of 1 per cent.; in any month in which a five-cent fare was effective, one-twelfth of three-quarters of 1 per cent., and when a fare of less than five cents was effective, one-twelfth of 1 per cent.

SERVICE AT COST PLANS IN EFFECT

An Identical Analysis of the Laws, Ordinances, Agreements and Commission Orders under which Service at Cost is in effect in Cleveland, Youngstown, Cincinnati, Boston, Montréal, Westerville, Dallas, Memphis, the cities served by the Eastern Massachusetts Street Railway Company, and is available to all Massachusetts street railways.

“Service at cost” is a term that has come to be quite generally applied to a plan for the conduct of electric railways as quasi-private enterprises, by which fares are made to automatically respond to the cost of providing the service, and it is in this sense that it is here applied.

It is only to the extent that the regulation is automatic that the principle involved differs from that under which the rates of public utilities are regulated by State or local commissions having jurisdiction over rates irrespective of franchise stipulations. As soon as government put a limit upon the return which these enterprises could earn, the service at cost principle was born, and later developments of regulation have but expanded and refined it. The primary object of all public utility regulation is to secure for the public the required service at the lowest cost consistent with the furnishing of such service. The right of the public, through its duly constituted authorities, to prescribe the kind and extent of the service to be furnished is undoubted, but it is accompanied by the duty to provide sufficient revenue to pay the cost of providing the service prescribed.

The adjustment of these two basic elements of regulation so as to bring them into harmony; the construction of machinery for regulation which will work with the least possible friction; the adaptation of this artificial process of price regulation to bring it into step with the economic laws which govern unregulated industry,—these constitute the goal towards which the efforts of

those working for a better relationship between the public and the utilities serving them should be directed.

To avoid waste, complexity and inefficiency in the operation of local transportation systems, some quick, automatic, just and equitable method of making the price received for public utility service responsive to its cost is essential. This the cost of service plans here discussed attempt to do. The elements of this cost are defined and agreed to. Included is the return to those whose money is being used in the public service and the rewards to those who furnish the managerial service that turns mere physical property and legal rights and privileges into a live public enterprise. Provision is made for the payment of the costs of service as defined, either from revenue received from fares directly or indirectly from the public treasury. Means and methods of determining the total of the cost are provided by methods which safeguard the public interest and, when the amount is so determined, the revenue is increased or decreased in amount so as to cover all costs. That is the theory of a service at cost plan.

Of those considered in the following pages, that now in effect in Cleveland was the first. It became operative in 1910. It was not until some seven years later that the same principles were again applied, this time in Dallas, Texas, where in 1917, a somewhat similar grant became effective. Later in the same year, the agreement covering the operation of the Westerville division of the Columbus Railway, Power & Light Company went into effect. Nineteen eighteen, saw the Boston Elevated, the Massachusetts Eastern (then the Bay State), the Massachusetts General Acts, and the Cincinnati and Montreal franchises put into effect. In 1919, Youngstown entered into an agreement with the Mahoning & Shenango Railway & Light Company for the operation of its Youngstown lines under a service at cost plan, and in 1920, the Tennessee Railroad and Public Utilities Commission promulgated an order for service at cost for the Memphis Railway Company.

In the following pages the provisions of these various ordinances are grouped under the following heads, in order that the student of the subject may readily grasp the varying provisions covering the same object:

A. GENERAL CONDITIONS —

1. *Life:*
2. *Renewal:*
3. *Forfeiture:*

B. MUNICIPAL PURCHASE —

1. *By the City:*
 - (a) When Purchase Can Be Made:
 - (b) Terms of Purchase:
2. *By Licensee of City:*
 - (a) When Purchase Can Be Made:
 - (b) Terms of Purchase:

C. CONTROL —

1. *Corporate Autonomy:*
2. *Of Service:*
 - (a) Within Municipality:
 - (b) Outside of Municipality:
3. *Of Construction, Maintenance and Repairs:*
4. *Of Extensions, Betterments and Permanent Improvements:*
 - (a) Definitions:
 - (b) Within Municipality:
 - (c) Outside of Municipality:
5. *Of Capitalization, Finances and Accounts:*
 - (a) Ordinary Expenses:
 - (b) Securities:
 - (c) Bookkeeping:
6. *Methods and Practices:*
7. *Use of Track and Facilities by Other Companies:*
8. *Machinery of Control:*
 - (a) Power, Where Lodged:
 - (b) Administration:
 - (c) Powers and Duties of Administrative Body:

C. CONTROL — *continued*9. *Arbitration:*

- (a) Machinery For:
- (b) Powers of Arbitration Authorities:
- (c) Penalties:
- (d) Expenses of Arbitration:

D. RETURN —

- 1. *Initial Value:*
- 2. *Added Value:*
- 3. *Deductions From Value:*
- 4. *Rate of Return, Normal:*
- 5. *Additional Allowances:*
- 6. *Assurance of Return:*

E. COST OF SERVICE —

- 1. *Definition of:*
- 2. *Allowances:*
 - (a) Operating:
 - (b) Maintenance:
 - (b-1) *Definition:*
 - (b-2) *How Fixed:*
 - (c) Depreciation:
- 3. *Special Tax and Impost Features:*

F. FARES —

- 1. *Schedules of:*
- 2. *How Fixed:*

G. TRANSPORTATION OF FREIGHT, EXPRESS,
ETC.—

H. SPECIAL PROVISIONS —

A. GENERAL CONDITIONS**1.—LIFE****CLEVELAND**

The life of the franchise is 25 years. (Sec. 2.)

NOTE.—The grant, amended in some slight particulars was renewed for 25 years in April, 1919.

YOUNGSTOWN

The life of the franchise is 25 years. (Sec. 2.)

CINCINNATI

In August, 1896, the Company was granted a fifty-year franchise, which provided for revision at the end of twenty years. In 1916, the franchise was revised, but the new grant was declared unconstitutional in some of its features and the present grant, passed in 1918, takes the place of the 1916 revision. The original franchise runs until 1946.

BOSTON

The period of public operation specified in chapter 159 of the special acts of the Massachusetts Legislature of 1918 is ten years from the date when the act took effect, but unless terminated by the State continues indefinitely. (Secs. 1 and 12.)

MASSACHUSETTS (General)

The instrument providing for service-at-cost for Massachusetts railways, other than the Boston Elevated Railway Co., and the Eastern Massachusetts Street Railway Co., is statute law, and is subject, to repeal and amendment by the Massachusetts Legislature. No other term is fixed.

MONTREAL

The agreement, entered into in 1918, expires March 24, 1953 (Art. 24).

EASTERN MASSACHUSETTS

The term of operation under public trustees is ten years from the date upon which the property was taken over by the new company (on May 31, 1919). (Sec. 2.)

At the termination of the period of operation by public trustees, the Board of Directors of the New Company shall exercise all powers conferred upon the Trustees, not inconsistent with the general laws, until the General Court (Legislature) shall otherwise determine. (Sec. 13.)

The New Company shall at the expiration of the ten-year period of operation of public trustees have all the powers and privileges and be subject to all of the restrictions of a street railway company organized under the general laws of Massachusetts, and, with the consent of the Public Service Commission, may exercise additional powers conferred on the Bay State Street Railway Co., by the special act, subject to further action by the General Court. (Sec. 18.)

NOTE.—The Public Service Commission was abolished on December 1, 1919, and its franchises were assumed by a new public body—the Department of Public Utilities—the new department being a merger of the Public Service Commission and the former Gas and Electric Commission.

WESTERVILLE

The life of the franchise is 25 years. (Sec. 2.)

DALLAS

The life of the Grant is indeterminate. Unless forfeited, or otherwise terminated by law, it ends only with the purchase of the property by the City or by a license of the City. (Sec. 38.)

MEMPHIS

Service at cost was made effective by an order of the State Railroad and Public Utilities Commission, which order is revocable at the pleasure of the Board.

2.—RENEWAL

CLEVELAND

When the grant has less than fifteen years to run, the Company shall have the right to collect the maximum rate of fare and control of schedules passes from the City to the Company, except that the City retains its police power to require proper and reasonable service. If the Interest Fund exceeds \$500,000, the surplus shall be applied to the reduction of capital value, by

First, the payment of floating indebtedness;

Second, the retirement of such bonds as can under the terms of the mortgage be so paid;

Third, the creation of a sinking fund for the reduction of capital value. (Sec. 38.)

The City may at any time, either before or after the grant has fifteen years to run, renew such grant, "imposing upon the Company no substantial burden . . . in addition", and the Company must either accept such renewal, or be deprived of control over rates or schedules. "Substantial burden" is defined to mean that the grant shall be identical in terms with present grant, except as to date of expiration and as the certain provisions of its rights to assign its right to purchase to a third party, or shall differ from present grant only in such particulars as shall be agreed upon by Company and City. (Secs. 39, 40, 41.)

The right of the City to propose extensions, betterments and permanent improvements ceases when the grant shall have less than fifteen years to run. (Sec. 27.)

YOUNGSTOWN

There are no specific provisions for the renewal of the franchise.

When the grant has less than 15 years to run, the Company shall:

Have sole control over betterments, extension and permanent improvement. (Secs. 15 and 18.)

Have the right to charge such a rate of fare, as will create an Amortization Fund, to consist of all surplus receipts remaining after operating costs, maintenance, repair and renewals and return on capital value, sufficient with accumulated interest at seven per cent. thereon, to extinguish the difference between the estimated salvage value of the property at the expiration of the grant, and the then capital value. The power of the Commissioner, except as thus limited, is to continue, and disagreement as to rates of fare and salvage value is to be subject to arbitration. (Sec. 18.)

If the grant be renewed, the capital value, fixed therein, shall be the capital value fixed by the original grant, increased or decreased as provided for in the original grant. (Sec. 18-A.)

CINCINNATI

There is no provision for the renewal of the original franchise, but revisions are provided for at the expiration of the first twenty years and each fifteen years thereafter.

BOSTON

Public operation and management shall continue after the expiration of the ten-year period until such time as the Commonwealth shall elect to discontinue it. (Sec. 12.)

MASSACHUSETTS (General)

No provisions.

MONTREAL

No provisions.

EASTERN MASSACHUSETTS

No provisions.

WESTERVILLE

No direct provisions for renewal are contained in the Grant. When the Grant has less than fifteen years to run, control of service passes from the Commissioners to the Company, which is authorized to charge any rate of fare, not in excess of the highest named in the schedule of fares contained in the Grant. If, later the Grant shall be renewed, for a period of not less than fifteen years, nor less than the unexpired term, so that no substantial changes shall be made in its provisions, control of the service shall revert to the Commissioners, and fares shall be regulated in accordance with Grant. (Sec. 7.)

DALLAS

No provisions.

MEMPHIS

See A. 1.

3.—FORFEITURE

CLEVELAND

If the Company fails to comply with the provisions of the grant and the general ordinances of the City, and shall continue in such default for six months after written notice has been served upon it by the City, it shall forfeit all rights and privileges under the grant. (Sec. 43.)

YOUNGSTOWN

If the Company fails to comply with the terms of the grant and this failure shall continue for six months after written notice shall have been served by the City, the City shall have the right to assume charge of the property and operate it until the Company shall have complied with all terms and conditions of the grant. During such period of City operation, the surplus income derived shall be paid into the Stabilizing Fund. (Sec. 19.)

CINCINNATI

The Companies shall give an additional bond of \$250,000 to insure the performance of their obligations under the ordinance of 1896 and the present revision. Failure to so perform their obligations renders the ordinance null and void, in so far as it confers rights or privileges upon the Companies. The sureties may be increased at the instance of the City. (Sec. 28.)

BOSTON

By appropriate legislation, passed not less than two years before the date fixed for termination, the Commonwealth may terminate public management, either at the expiration of the ten-year period or at any time thereafter. (Sec. 12.)

MASSACHUSETTS (General)

The law may be repealed or amended by the Massachusetts Legislature.

MONTREAL

No provision for forfeiture:

For failure to comply with the terms of the agreement the Company is liable to a fine of \$40 a day for each day during which the noncompliance continues. The fine is collected through the Recorder's Court of Montreal and, in the discretion of the Court, costs may be added thereto. The fines collected become the property of the city. In the case that the violation affects only outside municipalities, they may proceed through any court of competent jurisdiction to collect the fine, and upon collection it becomes the property of the municipality, where the failure to comply occurred. (Art. 96).

EASTERN MASSACHUSETTS

No provisions.

WESTERVILLE

No provisions.

DALLAS

In the event that the City determines to purchase the property, or authorizes its purchase by a License, and the Company fails to comply with the provisions of the Grant relative to such purchase, the Grant shall be forfeited. (Sec. 41.)

The Grant is forfeited, if the Company fails to comply with any or all of the terms of the Grant; with the general city ordinances relative to the construction, maintenance or operation of street railways lawfully in force at the time of the acceptance of the Grant or thereafter adopted; if the Company willfully defaults in the performance of the terms and conditions of the lease covering the property of the Northern Texas Traction Co., provided in the Grant or collusively permits the termination of such lease before the term provided; or willfully and continuously fails to carry out the award of any Board of Arbitration. When the Company is in default in any of these regards, the City may serve due notice upon it, specifying the default. If default continues for six months after the date of such notice, the Board of City Commissioners is authorized to declare the Grant forfeited, but the forfeiture shall be enforced only in the manner provided in the Dallas City Charter. (Sec. 42.)

MEMPHIS

See A. 1.

B. PUBLIC PURCHASE**1.—BY THE CITY****(a) When the Purchase Can be Made**

CLEVELAND

The City may at any time, upon six months' notice, purchase the property, franchises and all rights of the Company. (For terms, see B-1 (b).) (Sec. 31.)

The City may at the expiration of the grant, purchase either the entire property of the Company, or that portion of its property located within city limits. (For terms, see B 1 (b).) (Sec. 34.)

YOUNGSTOWN

The City may, upon six months' notice, any time during the life of the grant, purchase the property covered by the grant. (Sec. 16.)

The City may purchase the property covered by the grant at the expiration of the grant. (Sec. 16-A.)

CINCINNATI

At any time during the term of the grant, or any renewal or extension thereof, upon three months' notice by the City of its intention to purchase. (Sec. 25.)

BOSTON

Under provisions of the act, at any time during the period of public management and operation; under the State's power of eminent domain, at any time. (Sec. 16.)

MASSACHUSETTS (General)

At any time.

MONTREAL

On March 24, 1953, and at the expiration of every subsequent five-year period, upon notice being given six months before the date of purchase.

EASTERN MASSACHUSETTS

Under provisions of the Act, at any time during the period of operation by Public Trustees; under the State's power of eminent domain, at any time. (Sec. 19.)

WESTERVILLE

At any time upon six months' notice in writing by the Commissions. (Sec. 15.)

DALLAS

At any time after ten years from the date when the Grant became effective. (Sec. 38.)

MEMPHIS

No provisions.

(b) Terms of Purchase**CLEVELAND**

If the City shall purchase the property of the Company before the expiration of the grant, it shall assume the current floating indebtedness of the company, shall assume, or pay, its bonded indebtedness, shall pay the difference between its bonded indebtedness and its capital value, as determined by the terms of the present grant, and, in addition shall pay an additional ten per cent, upon the difference between the sum of its bonded and floating indebtedness and its then capital value. If the current obligations, of the Company, except those incurred, for extensions, betterments and permanent improvements, exceed a sum equal to ten per cent of the gross receipts of the Company for the next preceding calendar year, such excess is to be deducted from capital value. (Sec. 31.)

If the City shall purchase the property at the expiration of the grant, it shall be upon the same terms as are provided for purchase during the life of the grant, except that ten per cent shall not be added to any part of the capital value. (Sec. 34.)

YOUNGSTOWN

If purchased before the expiration of the grant, the City shall by ordinance, provide for a term of twenty-five years, for the operation of the interurban, suburban, freight and supply cars of the Mahoning & Shenango Railway & Light Company, over the city tracks, at a price to be based on cost of maintenance, repair and renewal of tracks and power stations and return on investment; it shall provide by contract for the supply of steam to the Company from the North Avenue station and the maintenance of steam lines and connections thereto; it shall pay for the property covered by the grant, the then capital value, either by cash payment or by the assumption of the bonded and floating debt and the payment in cash of the difference between this amount and the then capital value. If the City so desires the Company shall turn any securities in the Stabilizing Fund into cash, and retain the full amount in the fund, deducting this from Capital value, or the fund may be retained by the City and

no deductions made from Capital value. These terms apply also to purchase at the expiration of the grant. (Secs. 16 and 16-A.)

If within forty-eight months of the time that the grant shall take effect, the Mahoning & Shenango Railway & Light Co. shall have organized a new corporation which shall purchase and operate the property named in the grant, and which shall agree to offer for sale to the residents of Youngstown, any securities thereafter issued by it in accordance with the permission of the City, there shall be added to the purchase price ten per cent. of the difference between the funded debt of the Company and the Capital value at the time of the purchase, if the property be purchased before the expiration of the grant, but not if it be purchased at the expiration of the grant. (Secs. 16 and 16-A.)

CINCINNATI

The City may purchase the property in pursuance to the method provided by the constitution of the State of Ohio, or upon payment of \$26,238,950, PLUS.

1. The amount required to pay and retire the outstanding Reducible Debt. (See E. 1, Third.)

2. The amount required to retire outstanding car trust certificates issued after the date the grant became effective. (See E. 1, First.)

3. The amount required to retire the securities issued to provide \$250,000 of the Reserve Fund. (See E. 1, Eight.)

4. The amount required to retire securities issued to provide for capital expenditures made after January 1, 1917.

5. Deficiencies in payments from gross revenue required to be made by the terms of the grant.

6. Interest on moneys borrowed to make up such deficiencies.

MINUS

1. The balance at the time of the purchase in Depreciation and Reserve funds accrued after January 1, 1917.

2. Payments made after January 1, 1917, into sinking funds for securities and notes issued by the Companies after January 1, 1917.

3. The sums in the Working Capital Fund (see E. 1, Seventh) and the Reserve Fund (see E. 1, Eighth).

4. The aggregate amount paid after January, 1917, for damages and claims, accruing before that date, the City to assume all liability for damages and claims made after the date of purchase.

All cash on hand, and in banks, and bills and accounts receivable by the Company from its operations, as well as money to be received from the sale of securities and notes to be conveyed to the City, which assumes responsibility for outstanding contracts and liabilities of the Company and agrees to pay all bills and accounts payable. (Sec. 25.)

Upon the proffer of the purchase price in gold coin of the United States, the Company shall convey its property, as specified in the ordinance to the City, assigning to the City all contracts, rights, privileges of all persons, firms or corporations made or granted by the Company under the terms of the grant. The purchase price includes the value of the franchises owned by the Companies. (Sec. 25.)

BOSTON

Upon the assumption of the Company's outstanding indebtedness and liabilities and the payment of an amount in cash, equal to the amount paid in, in cash, by its stockholders for its stock then outstanding. (Sec. 16.)

Readjustment of this provision in order to meet conditions which would arise through the purchase, the terms of which are already provided by law previously enacted, of the West End Street Railway Company, now leased by the Boston Elevated Railway Co., is provided for, but the principle involved is the same. (Sec. 16.)

MASSACHUSETTS (General)

The Commonwealth, city or town, shall pay in cash an amount equal to the Cash Investment as defined in the act, plus the amount paid in for preferred stock, and shall assume all outstanding bonds, contracts, leases and other liabilities of the Company. (Sec. 9.)

The right of the Commonwealth or any city or town to acquire the property by virtue of their power of eminent domain is not affected by the provisions of the Act. (Sec. 9.)

MONTREAL

The City appoints one arbitrator, the Company another, and a third is appointed by a judge of the Superior Court sitting in the District of Montreal. These three, disregarding any valuation named in the agreement fix a valuation on the property, to which is added ten per cent. over and above such valuation. This figure constitutes the purchase price, and for it the Company shall convey to the City, all of its property both in and out the city, including its franchises and privileges in communities outside the City, the value of which shall not, however, be included in the estimate of the arbitrators. (Art. 92, Par. 8.)

No other municipality than the City shall have the right of purchase. (Art. 92, Par. 8.)

EASTERN MASSACHUSETTS

Under the provisions of the Act, upon the assumption of the Company's outstanding indebtedness, and the payment, in cash, of an amount equal to the par value of its shares, plus any premiums paid in cash therefor. (Sec. 19.)

NOTE.—Acquisition of the property under the State's power of eminent domain would be made in accordance with the general laws governing such acquisition.

WESTERVILLE

The Company is required to sell at 110 per cent. of the Capital Value as of the time of purchase. (Sec. 15.)

DALLAS

If the City shall purchase at all, it must purchase all, and "not less than all" of the Company's property, except that if the City has not the legal power to purchase any part of the property lying outside of the City limits, it is required to purchase only such property as lies within the City limits, together with such property lying outside as it has the legal power to purchase. (Sec. 38.)

The price to be paid shall be based upon the Property Value of the Company as determined by the terms of the Grant. (Sec. 38)

In the event that Company shall have purchased the property of the Northern Texas Traction Co., the lease of which is provided for in the Grant, the Initial and Added Value of this property as provided for in the Grant, shall be included in Property

Value: in case that this property has not been purchased, the lease thereof shall be assigned to the City and its Initial and Added Value, with certain readjustments set forth in the Grant shall be deducted from Property Value. (Sec. 38.)

Extensions, Betterments and Improvements added to Property Value, but not paid for shall be deducted from Property Value, but the City shall assume obligations so incurred. (Sec. 38.)

Property purchased subject to mortgage, with the consent of the City, the mortgage upon which cannot be extinguished, shall be transferred to the City subject to such mortgage, the amount of which shall be deducted from Property Value. (Sec. 38.)

If in the Property Value at the time of purchase, there shall be included Extensions, Betterments or Improvements made within the ten years next prior to the date of purchase, and determined by the Company and Commission at the time undertaken, to have been for the purpose of providing for the entrance into the City of an interurban road, or to which the Commission and the Company shall mutually agree this provision shall apply, and there shall not have been earned upon the capital value represented by such extensions, a rate of return equal to that earned upon the rest of the Property Value, and if during the time between the expenditures for such Extensions, Betterments or Improvements, the earnings of the Company shall have been insufficient to pay the authorized return upon total Property Value, then there shall be added to the purchase price a sum equal to the aggregate deficit between the return earned upon the Property Value as a whole and that earned upon the Property Value represented by such Extensions, Betterments or Improvements. (Sec. 40.)

In the event that City does not purchase all of the property lying outside of City limits, the value of such property reached, "after taking into consideration the fact of its severance from rest of Grantee's property" shall be deducted from Property Value. In its notice to the Company of intent to purchase, the City shall list specifically the property it has not the legal power to purchase and if within three months after the date of such notice, City and Company are unable to agree upon the amount to be deducted, the question shall be arbitrated. (Sec. 38.)

The City may elect to assume, in lieu of cash payment, any or all of the bonds and other evidences of indebtedness, secured by lien, on account of Property Value. If so, the amount, together with accrued interest, shall be deducted from Property Value. (Sec. 38.)

All of the Reserves provided for in the Grant, and property purchased with money taken therefrom, become the property of the City. This includes Working Capital, except such amounts as are due and applicable to return on Capital Value, due to the Company. (Sec. 38.)

Cash on hand, derived from securities or borrowed for the purpose of making Extensions, Betterments and Improvements, shall be treated as if actually expended and shall pass to the City as part of the property purchased. (Sec. 38.)

Because the Reserves become the property of the City, the City assumes liability for all payments chargeable either to the Reserves or Operating Expenses. The City assumes the Company's obligations, both of contract and of tort "so far as incurred in the ordinary and proper conduct of the Grantee's business hereunder," except as to bonds or other indebtedness not assumed by the City as a part of the Purchase Price not a lien upon the property, or such additions to Working Capital as are included in Property Value. (Sec. 38.)

The price to be paid by the City for the property shall equal the then Property Value, as determined in accordance with the foregoing, plus five per cent of Property Value and plus an additional five per cent of the Property Value added during the ten years next prior to the date of purchase. (Sec. 38.)

The City, electing to purchase, shall serve six months' notice on the Company specifying a date (not more than twelve months from the date of such notice) when the property shall be turned over to it. (Sec. 38.)

If the Company fails to turn over the property in accordance with the terms of the Grant, after such notice, the Grant is forfeited. (Sec. 41.)

If the City shall elect to pay cash for the property and not assume any of the Company's funded debt, in part payment, it shall deposit with the Trustees of the first mortgage provided for

in the Grant, the amount of the purchase price in cash to be held for the benefit of the bondholders and the Company as their respective interests may appear. Such deposit shall act as a discharge of all liens against the property under mortgages secured by the bond issues. (Sec. 38.)

Unless the Courts decide that the provisions of the Grant as to purchase do not apply, the City may not purchase the property in any other manner than in that set forth in the Grant. (Sec. 38.)

MEMPHIS

No provisions.

2.— BY LICENSEE OF CITY

(a) When Purchase Can Be Made

CLEVELAND

The City may grant its right of purchase at any time to a licensee, who shall agree to accept a rate of return, not less than a quarter of one per cent, lower than that fixed in present grant. Such licensee shall be designated by competitive bidding, in which the Company shall be allowed to participate. (Secs. 32, 33.)

If at the expiration of the grant, the City shall not purchase the property, it shall have the right to grant a franchise for its operation to other person or persons, who shall purchase the property of the Company on the same terms, as are provided for City purchase. (Sec. 37.)

YOUNGSTOWN

No provisions.

CINCINNATI

No provisions.

BOSTON

No provisions.

MASSACHUSETTS (General)

No provisions.

MONTREAL

No provisions.

EASTERN MASSACHUSETTS

No provisions.

WESTERVILLE

No provisions.

DALLAS

At any time after ten years from date when Grant became effective. (Sec. 39.)

MEMPHIS

No provisions.

(b) Terms of Purchase

CLEVELAND

If a Licensee shall acquire the property of the Company, it shall be upon the same terms as are provided for city acquisition. (Sec. 33.)

If at the expiration of the grant, a subsequent grantee, shall purchase the property of the company, it shall be upon the same terms as are provided for City purchase. (Sec. 35.)

YOUNGSTOWN

No provisions.

CINCINNATI

No provisions.

BOSTON

No provisions.

MASSACHUSETTS (General)

No provisions.

MONTREAL

No provisions.

EASTERN MASSACHUSETTS

No provisions.

WESTERVILLE

No provisions.

DALLAS

Before designation by the City, the Licensee must deposit with the City a sum equal to 10 per cent of the then Property Value of the Company. Should the Licensee fail to acquire the property of the Company within thirty days after the date set in the

notice to the Company, or, in the event of *bona fide* legal proceedings or other events over which the Licensee has no control, within thirty days from the date of release from such restrictions, the Commissioners shall by resolution declare such deposit forfeited. In that event, 50 per cent of the amount shall be paid into the City Treasury for use for general city purposes, and 50 per cent shall be paid to the Company, which after discharging any expenses incurred by reason of the purchase proceedings, shall deposit the remainder in Surplus Reserve. It is provided that the Company shall save the City harmless by reason of this payment. (Sec. 39.)

The purchase of the property by any licensee of the City shall be subject to the same rights of purchase either by the City, or by a licensee of the City, as are established by the original Grant. (Sec. 39.)

In the case of purchase by a Licensee, the City reserve the right to amend the Grant in any manner it may desire, except that the highest rate of fare permitted shall not be in excess of that permitted to be charged by the original Grantee. (Sec. 40.)

In the event of purchase by Licensee the deed of conveyance given by the Grantee may stipulate that the conveyance is made subject to the assumption by the Licensee of all liabilities of Reserves or Operating Expenses, and all obligations of the Company, and the Grantee may retain a lien upon the property to the extent of this obligation assumed by the Grantee; or, the Grantee may require from the Licensee a liability bond, sufficient to cover any loss arising from the failure of the Licensee to discharge such obligations. (Sec. 39.)

In other regards, except as to the Purchase Price, the terms of sale are the same as that covering purchase by the City. [See B. 1, (a).] (Sec. 39.)

The price to be paid by the Licensee for the property shall equal the then Property Value, as determined in accordance with the provisions of the Grant, plus 10 per cent of the then Property Value and plus an additional 5 per cent of the Property Value added during the ten years next prior to the date of purchase. (Sec. 39.)

The provision as to the addition to Purchase Price, to care for deficits in return on additions made during the ten years next prior to the date of purchase on account of the furnishing of facilities for the entrance into the City of interurbans, or on other additions agreed upon between the City and the Company, as it appears under B. 1. (a), applies to a purchase made by a Licensee. (Sec. 40.)

MEMPHIS

No provisions.

C. CONTROL

1.—CORPORATE AUTONOMY

CLEVELAND

The autonomy of the corporation is assured by the following provision:

Nothing in this ordinance contained shall operate as an abridgement of the corporate rights or powers of the Company, nor of the discretion of its board of directors in the selection of managers and employes, or any one performing any duties imposed upon the company and its officers by law; nor shall anything herein contained be deemed a limitation upon the amount of capital stock which shall be issued by the Company, or indebtedness incurred by it. The Capital Value fixed by Section 16 hereof is for the purpose of determining the return to the Company from the carriage of passengers, and for the purpose of fixing, from time to time, the rate of fare and the price at which the purchase of the property of the Company may be made. (Sec. 37.)

The Company may, without the consent of the City, issue and sell its capital stock, or increase its bonded or floating debt; but no increase in capital stock or bonded or floating indebtedness by the Company shall be considered a part of Capital Value for the purpose of fixing the return to the Company, unless made pursuant to the provisions of the Grant or with the consent of the City. (Sec. 16.)

YOUNGSTOWN

The autonomy of the corporation is assured by the following provision:

Nothing in this ordinance contained shall operate as an abridgement of the corporate rights or powers of the Companies, nor of the discretion of their boards of directors in the selection of managers and employees, or anyone performing any duties imposed upon said Company and its officers by law; nor shall anything herein contained be deemed a limitation upon the amount of capital stock which shall be issued by the Company, or indebtedness incurred by it except to the extent limited by that part of section 16, which applies to the segregation in a new corporation of the lines and property covered by this ordinance if said Company shall in the terms thereof elect to so segregate said property. The Capital value fixed by sections 10 and 10-A hereof is for the sole purpose of determining, first, the return to the Company; second, for the purpose of fixing, from time to time, the rate of fare; and, third, the price at which the purchase of the property of the Company covered by this ordinance shall be made. (Sec. 17.)

CINCINNATI

No specific provision for corporate autonomy is included, although the jurisdiction of the City over certain specified funds is waived.

BOSTON

The Company practically surrenders its corporate autonomy. A Board of Directors is retained, elected by the stockholders, but the President, Treasurer, Clerk and all other officers of the Company are appointed and may be removed by the Public Trustees. The Directors shall "have no control over the management and operation of the street railway system, but its duties shall be confined to maintaining the corporate organization, protecting the interests of the Corporation so far as necessary, and taking such action from time to time as may be deemed expedient in cases, if any, where the Trustees cannot act in their place." (Sec. 4.)

The Trustees shall allow the Board of Directors from each year such sum as may be deemed reasonable to provide for the corporate organization and enable the Board of Directors to perform its duties. (Sec. 4.)

MASSACHUSETTS (General)

The act does not directly provide for corporate autonomy. It does provide that the Governor shall, with the consent of his Council, appoint three Directors to the Board of Directors of any Company, accepting the act. These Directors shall have all the powers of any directors, and if the Board shall have any Executive Committee, Finance Committee, or any other Standing Committee, one such Director shall be a member thereof. It further provides that the by-laws of the Company shall provide for monthly meetings of the Board. (Sec. 10.)

MONTREAL

No direct provision for corporate autonomy, although this is implied by the terms of the agreement. The Company is, however, restrained from carrying on any other kind of business than that provided for in the agreement (Art. 27), and is forbidden to sell, lease, transfer or cede any part of its systems, or the rights conferred upon it by franchises or agreements (Art. 25).

The Company shall establish and maintain its plants, workshops and principal offices within the City limits and shall build and manufacture within the City limits any part of the materials used by it, which, in the opinion of the Commission can be manufactured advantageously within the City limits (Art. 87).

EASTERN MASSACHUSETTS

The autonomy of the company is practically surrendered. Its shareholders elect a Board of Directors, but the Trustees have the right to appoint and remove, at their discretion, the President, Vice-President, Treasurer, Clerk and all other officers of the Company, excepting the Board of Directors. The Trustees are authorized by the Act to exercise "all the rights and powers of the New Company and its Directors and shall receive and disburse its income and funds." (Sec. 11.)

The consent of the Board of Directors to contracts for construction, acquisition, rental or operation of new lines, or the extension, sale or lease of existing lines, is necessary, unless the Public Service Commission shall determine that public necessity

and convenience requires such contracts and that they do not impair the return upon securities issued under the authority of the Act. (Sec. 12.)

The New Company, its stockholders and Directors, shall be presumed to have authorized any issue of securities made by the Trustees and are in addition required to give their formal consent if that be considered necessary. (Sec. 13.)

WESTERVILLE

There are no specific provisions in the Grant covering the question of Corporate autonomy. There are, however, no restrictions.

DALLAS

"The Grantee may at any time refund its bonds, issue securities (stocks and bonds, or either of them), and incur such indebtedness (and at its option issue notes therefor) in any lawful manner, and to any lawful extent and secure the payment of any bonds or other indebtedness by a mortgage or mortgages on the property of Grantee, including its rights under said lease from Northern Texas Traction Company, or any part thereof, the City hereby conferring upon Grantee all necessary authority therefor; and it is expressly agreed that in dealing with the Grantee, its successors and assigns, or with its property, the City shall in no wise (except in case of purchase by the City or a Licensee of the property operated hereunder and then only as hereinafter provided), be in any way concerned with any of the indebtedness or securities of the Grantee, but shall consider and be concerned only with the Property Value of the property of the Grantee as herein defined, which Property Value shall never be changed by the City or the Grantee except pursuant to the provisions of this ordinance; provided, however, that the Grantee shall not issue bonds or other evidences of indebtedness secured by a lien on its property exceeding in aggregate par value eighty-five per cent (85%) of the Property Value. The City covenants, nevertheless, that it will from time to time by resolution of the Board of Commissioners give confirmatory authority for or certificate of approval of securities issued or to be issued by Grantee whenever requested by Grantee;

but no such confirmation or approval shall ever have any operation or effect upon the Property Value, nor affect the liability or obligation of the City or Licensee, in case of a purchase of the Grantee's property." (Sec. 19.)

The rights, privileges and franchises conferred by the Grant may not be sold or assigned without the consent of the Board of Commissioners. (Sec. 44.)

The principal offices of the Company shall always be maintained in Dallas. (Sec. 11.)

The Company may not amend the lease provided in the Grant for the Dallas Terminal and may not execute a new lease. It may renew and extend the old lease. (Sec. 37.)

MEMPHIS

No provisions.

2.— OF SERVICE

(a) Within Municipality

CLEVELAND

The control of the City over service is absolute, except that when it is claimed by the Company that the service required by the City cannot be rendered within the revenue provided by the highest rate of fare provided in the grant, such additional service may be discontinued, on the award of a Board of Arbitration. The language of the grant is:

"The City reserves to itself the entire control of the service, including the right to fix schedules and routes, including routes and terminals of interurban cars, the character of the cars, the right to increase or diminish the service." (Sec. 9.)

YOUNGSTOWN

The grant reads: "The City reserves to itself the entire control of the service, including the right to fix schedules and routes, character of new cars and the right to increase or diminish service * * *." The execution of the right is lodged in the City Council, but the Commissioner may temporarily approve changes, to be effective until the Council otherwise orders. The question as

to whether the service prescribed can be carried out under existing rates of fare, or a higher rate of fare is subject to arbitration. (Sec. 6.)

CINCINNATI

The City reserves the control of the service on all routes, including the right to fix schedules and stopping points, the type of cars, transfer regulations and the fixing, changing and extension of routes. The prescriptions of the City shall be enforced in any court of competent jurisdiction and the Companies may defend, only on the ground that the requirements of the City are impossible under budget allowances if the Company is to perform its corporate obligations, maintain its organization and perform the duties imposed upon it by the Grant. In the case of requirements involving capital expenditure, the Company may defend upon the ground that acting diligently and in good faith it is unable to provide the funds required. (Sec. 8.)

BOSTON

The control of service lies entirely with the Board of Trustees. The act provides that they "shall determine the character and extent of the service and facilities to be furnished, and in these respects their authority shall be exclusive and shall not be subject to the approval, control or direction of any other State Board or Commission." (Sec. 2.)

MASSACHUSETTS (General)

Except as the Act provides, the Companies are subject to the general laws of the State relating to street railway companies. Control and regulation of service is, therefore, lodged in the State Public Service Commission. (Sec. 1.)

MONTREAL

The Montreal Tramways Commission shall determine speed of cars, stopping and transfer points, service and frequency of service, and may allow a speed in excess of that fixed by law (Art. 54). The Company may not change its routes without the consent of the Commission (Art. 55). It may not operate combined

passenger and freight cars without the consent of the Commission (Art. 57). The Commission shall determine the number of passengers that each car may accommodate (Art. 63). The Commission may establish rules for the transportation of freight, determine the character of the freight to be so transported and order the Company to establish loading and unloading places (Art. 83). Establish the limits of average density per car-mile (Art. 92, Par. 1). The Company may not allow the use of its tracks by another company, or connect its tracks with those of another company without the consent of the Commission (Art. 28); width of space between tracks, radius of track curvature on streets, projection of ties outside rails, width of rolling stock, types of cars and their accessories, type and location of poles, location of tracks in streets, weight and type of rails, stop signs, lighting and heating of cars, weight of both passenger and freight cars, maximum permissible load of freight cars, numbering of cars and number of cars per train are subject to the approval of the Commission (Art. 53). The Commission shall locate transfer points at which agents are to be placed by the Company and indicate agent's duties (Art. 56). The Commission shall approve the placing of illuminated route and destination signs on all cars (Art. 61).

The agreement itself requires that conductors and agents speak English and French and call in both languages the names of streets (Art. 59); shall provide each car with a gong (Art. 60); shall ventilate and keep clean its cars (Art. 62).

EASTERN MASSACHUSETTS

The Trustees shall determine the character and extent of the service and the facilities to be furnished. Their authority in this respect is exclusive, as to joint service with connecting companies other than with the Boston Elevated Railway Company, in which instance the Public Service Commission has authority. Upon the request of the Mayor of a City, the selectmen of a town, or twenty of the patrons of the road, the Trustees must hold a public hearing for the presentation of complaints as to service, but after such hearings they may take such action in the premises as they see it. (Sec. 11.)

WESTERVILLE

The Commission has control of service, including the alteration of schedules, the increasing and diminishing of service and the establishment of stops. The Commission shall not require service to an extent which will not produce revenue sufficient to make good loss in Working Capital. When the Grant has less than fifteen years to run, and until it shall be renewed for not less than fifteen years, control of the service shall rest with the Company. (Sec. 7.)

DALLAS

The Commission shall decide the design and equipment of cars and has the power to order improvements therein, to the end that they shall be safe, comfortable and convenient; it shall prescribe schedules and stops. If the Company contends that any order prescribing service jeopardize the ability of the Company to earn, at the highest permissible rate of fare, the return to which the Company is, under the Grant, entitled, the question as to whether such orders shall be enforced shall be arbitrated, but the decision of the Arbitration Board shall not prevent the City from exercising such control over service as is given to it by the provisions of the City Charter. (Sec. 10.)

No tracks, or operation thereon, shall be abandoned without the consent of the Board of Commissioners. (Sec. 30.)

MEMPHIS

The State Railroad and Public Utilities Commission has exclusive control of the service. The service at cost order provides that until further ordered the Company shall provide each month, not less than .155 nor more than .185 passenger car miles for each revenue passenger carried.

(b) Outside of Municipality**CLEVELAND**

The Company shall perform existing contracts with communities outside of the City limits, but shall not increase service above, or reduce fares below the requirements of such contracts. In case of dispute as to such requirements, the matter shall be

decided by arbitration if the outside community affected consents, the City to appoint one arbitrator, the community another and the third to be appointed as in the case of other Arbitration Boards. (See C-6-(a).) (Sec. 29.)

YOUNGSTOWN

The Company is given the right to operate interurban, suburban, freight and supply cars over the city tracks, upon payment of the actual cost per car-mile for power, maintenance, repair and renewal of track as determined for city cars, plus interest on investment and taxes. In the event of the purchase of the property by the city, it is agreed that provision shall be made for a continuance of these rights for a period of at least 25 years. The interurban and suburban cars of the Company, shall not carry passengers to and from points in the city unless directed to do so by the Commissioner. Damages resulting from the operation of such cars shall be paid by the Company, but the relative liability for such accidents shall be determined and the portion adjudged to be due to the property or employees of the city lines shall be paid to the Company out of operating expenses, the apportionment to be made by the Company, the Commissioner and the City Solicitor. In the event of a disagreement it shall be arbitrated. Repairs to cars and equipment not included in city property may be made by the Company in the Haselton Shops, work and materials to be supplied at actual cost, to be paid each month. At the end of each six months, the Company shall pay into gross receipts from city operation an agreed upon amount for overhead and maintenance. (Secs. 11-B and 11-E.)

The Company agrees to permit the operation of city cars over the Youngstown and Sharon Line (a suburban line), at the same charge per car-mile as is agreed upon for the operation of interurban and suburban cars over city lines. (Sec. 11-E.)

The type of all suburban, interurban, supply and freight cars used by the Company, shall be subject to the approval of the city.

CINCINNATI

No provisions.

BOSTON

Powers of Trustees extend over entire system.

MASSACHUSETTS (General)

Public Service Commission has jurisdiction.

MONTREAL

The same control is exercised by the Commission outside of the city of Montreal as in the city, except that the right of municipalities outside of the City to exact the routes and frequency of service to which they are entitled by their contract with the Company is provided for (Art. 34).

EASTERN MASSACHUSETTS

Powers of Trustees extend over entire system.

WESTERVILLE

The control of the Commission is over all service in Franklin County. The Commission has no control over such portions of the Company's lines as are situated in the city of Columbus, Ohio.

DALLAS

Control exercised by Commissioners extends to lines outside of City Limits.

MEMPHIS

The Utilities Commission exercises jurisdiction irrespective of municipal limits.

3.— OF CONSTRUCTION, MAINTENANCE AND REPAIRS**CLEVELAND**

No provisions.

YOUNGSTOWN

No provisions.

CINCINNATI

No provisions.

BOSTON

No provisions.

MASSACHUSETTS (General)

No provisions.

MONTREAL

"The Company, on the order of the Commission and within the delay fixed by it, shall make to its lines, to the pavements under its care, to its rolling stock or to anything else pertaining to its system, either within or without the limits of the City, all necessary modifications, additions, reconstructions, alterations or repairs" (Art. 38).

The Commission is empowered to adjudge that a line or a part of a line is useless and order the Company to remove track, line and other appurtenances and to reconstruct pavement and sidewalks. If the Company is negligent in carrying out such order, the municipality affected may, with the consent of the Commission, do the work and charge the cost to the Company (Art. 39). The Commission shall approve the type of rail, other than T-rail (the use of which is forbidden) to be substituted in streets about to be paved with any other than plain macadam pavement (Arts. 43, 52). The Commission shall direct the resetting of poles and tracks, in the case of street widening (Art. 44).

The City Engineer shall set the grades to be used in track construction in conformity with the street grades (Art. 39). The City shall specify the kind of pavement to be used replacing pavement torn up for track construction or reconstruction, except that if the pavement specified exceed in cost that removed, the Company may recover the difference from the City (Art. 41). The Company is compelled to provide drainage for its tracks, subject to the approval of the City Engineer (Art. 50).

EASTERN MASSACHUSETTS

No provisions.

WESTERVILLE

No provisions.

DALLAS

No provisions.

MEMPHIS

No provisions.

4.—OF EXTENSIONS, BETTERMENTS AND PERMANENT IMPROVEMENTS**(a) Definitions****CLEVELAND**

Extensions, Betterments and Permanent Improvements, in contradistinction to Maintenance, Renewals and Replacement are defined to mean:

The acquisition, construction and equipment of additional lines of street railway, power houses, switches, sidings, car houses, shops, rolling stock, machinery and other property, or additions to existing equipment, or difference between new cost of new sources of power, or new methods of propulsion, and the cost of the source of power or method of propulsion replaced, if new at the time of replacement, and all expenses incident to such construction and acquisition; and also, whenever any property of the company is replaced by other property at a greater cost than would be the first cost of such property, if purchased at the time of replacement, then such excess cost shall be deemed an Extension, Betterment or Permanent Improvement within the meaning of those words as used in this ordinance. (Sec. 26.)

YOUNGSTOWN

Betterments, Extensions and Permanent Improvement in contradistinction to Maintenance, Repairs and Renewals are defined to be:

The acquisition, construction and equipment of additional lines of street railway, switches, power houses, sidings, car houses, shops, rolling stock, machinery, stations and other property or additions to existing lines and equipment. It shall also be held to mean and include the difference between cost of new sources of power and method of propulsion, and the cost of the sources of power and method of propulsion replaced as if the same were new at the time of replacement, and all expenses incident to such construction and acquisition, and also whenever any property of the Company is replaced by other property at a greater cost than would be the cost of such property so superseded or replaced, if

purchased at the time of replacement, then such excess cost shall be deemed a Betterment, Extension of Permanent Improvement within the meaning of those words as used in this ordinance.

CINCINNATI

The grant contains no definition of Extensions, Betterments and Permanent Improvements, excepting that the I. C. C. Uniform System of Accounts is prescribed.

BOSTON

The act contains no definition of Extensions, Betterments or Permanent Improvements.

MASSACHUSETTS (General)

The Act contains no definition of Extensions, Betterments and Permanent Improvements.

MONTREAL

There is no definition of either Extensions, Betterments or Permanent Improvements contained in the agreement.

EASTERN MASSACHUSETTS

The Act contains no definition of Extensions, Betterments and Permanent Improvements.

WESTERVILLE

The Grant contains no definitions of Extensions, Betterments and Permanent Improvements.

DALLAS

"The words 'extensions, betterments and improvements' are used in contradistinction to repairs to and maintenance, renewals and replacements of property. They shall be held to mean and include additions to or betterments of existing, and acquisitions, construction, additions to or betterments of new lines of street railway tracks, switches, sidings, overhead trolley and feeder systems, signal systems, street paving, street, sidewalk and other special or local improvements, power houses, substations, car

houses, shops, machinery, rolling stock, tools, appliances, miscellaneous equipment, transmission lines, real estate, buildings and other property, including additional track, or tracks on streets or places at any time occupied by track or tracks operated hereunder; and without limitation by the preceding enumeration, generally shall include all expenditures not properly chargeable to operating expenses or not properly chargeable to or paid out of the Repair, Maintenance and Depreciation Reserve, but shall not include any interest on the Grantee's indebtedness other than interest during construction as herein provided." (Sec. 1.)

"The word 'extensions' (as distinguished from betterments and improvements) shall be held to mean and include new or additional street railway lines." (Sec. 1.)

MEMPHIS

No definition.

(b) Within Municipality

CLEVELAND

Extensions, Betterments and Permanent Improvements, may be proposed by either the City or the Company. If proposed by the Company, they must be approved by the City, if the Cost is to be added to Capital Value. If proposed by the City, they must be carried out by the Company, unless a Board of Arbitration shall decide that the ability of the Company to earn its fixed return is jeopardized, or that the Company is unable to finance them. (Sec. 27.)

The City has the right of supervision over the construction of all extensions, betterments and permanent improvements. (Sec. 29.)

YOUNGSTOWN

The Company agrees to provide and spend within five years, for such Extensions, Betterments and Permanent Improvements as the City may designate the sum of \$750,000. (Sec. 15-A.)

Betterments, Extensions and Permanent Improvements may be proposed by either the City or the Company. If the cost of those proposed by the Company is to be charged to Capital Value, they must be approved by the City. If proposed by the City, or approved by the City, they shall be carried out by the Company if

the Company can procure by the sale of its securities, or by an increase in its floating debt, the necessary funds; unless, the Company shall claim that the carrying out of the plans will impair its present or future ability to earn the return stipulated in the grant, or that it is unable to finance the plan at the return allowed by the City. These contentions are subject to arbitration. (Secs. 15-B and 15-C.)

The Commissioner shall have the right to check all estimates made by the Company for Extensions, Betterments and Improvements and shall supervise the work of carrying out the plans. He may incur any necessary expenses in preparing estimates for the City. If the plans are actually carried into effect, the expenses so incurred shall become a part of the capital cost of such undertaking and shall be paid by the Company, provided they do not exceed one-half of one per cent of the total cost. If the enterprise is not carried out such expenses shall be paid as an operating cost. (Sec. 15-D.)

CINCINNATI

The provisions of the Grant covering the making of Extensions, Betterments and Permanent improvements, reads:

“Changes of routes and extensions thereof and new and additional lines of roads or routes shall be made by the Companies when ordered by ordinance of the Council if and when Council may be empowered to require the same under the terms of this Ordinance, Charter of the City and Laws of the State of Ohio.” (Sec. 8.)

“All new construction, reconstruction, renewal, replacement and repair of routes made by the Companies in or upon the streets, avenues, alleys, public ways and grounds of the City shall be done in conformity with the ordinances of the City now in force and effect or which may hereafter be passed and enacted regulating or respecting the opening, closing and repairing of the streets, etc., tracks and other construction made after the taking effect of the grant, shall be of a type approved by the proper boards of officers of the city, before permits for such construction or reconstruction shall be issued.” (Sec. 6.)

Service prescribed by the City, which involves capital expenditure, may be objected to by the Companies, in which case the City may prosecute an action in any court of competent jurisdiction, for enforcement of its orders, and the Companies may defend only upon the ground that in good faith and using all usual means it is unable to finance the prescribed expenditures. (Sec. 8.)

BOSTON

The State's control is complete, except that contracts for the operation or lease of subways, elevated or surface lines, or extensions thereof beyond their present limits, may not be made if they involve the payment of rentals or other compensation by the Company, after the period of management and control by the State, unless consented to by the Company's Board of Directors. However, surface lines may be constructed, or purchased, beyond the limits of existing lines even should the Board of Directors refuse, if after a public hearing, the Board of Trustees decide that public necessity and convenience requires their construction or operation. This power lapses, when the Commonwealth has passed legislation providing for the termination of public control and operation. (Sec. 3.)

MASSACHUSETTS (General)

(This Act provides for State control, regardless of municipal boundaries):

Except as the Act provides, the Companies are subject to the general laws of the State relating to street railway companies. Therefore, there is only such control over extensions, betterments and improvements as was lodged in the Commission, previous to the passage of the Act (Sec. 1), except as to improvements made under the provisions for a special Improvement Fund, in amount required by the Public Service Commission, but not to exceed five per cent. of Capital Investment, raised through the sale of bonds, stock, or preferred stock, and fully subscribed within sixty days after the determination of Capital Investment. The plan for the expenditure of this fund shall be prepared by the Company and submitted to and approved by the Commission. (Sec. 8.)

MONTREAL

"In its operation, the Company shall be on the look-out for all improvements and betterments relating to any part whatever of its system, both within and without the limits of the City, including its rolling stock, as may prove to be of recognized advantage, and it must adopt the same when so ordered by the Commission and within the delay fixed by it" (Art. 32).

The Company was compelled to construct certain specified double-track lines during the first year in which the agreement was in force (Art. 33).

The Company is compelled to build and operate any lines, proposed by the City, by any municipality outside the City, or by itself, if the Commission decides that such lines are required by the needs of population and of traffic and if general financial conditions permit. The Commission of its volition may require the construction and operation of any new line, which it deems necessary, if general financial conditions permit. In each case the Commission shall fix the time within which the work shall be completed (Art. 34). The Company may not construct any new line without the authorization of the Commission (Art. 35). The Commission may order modifications, additions, alterations, reconstructions or repairs to lines, pavement, rolling stock, or anything else pertaining to the Company's system (Art. 38).

EASTERN MASSACHUSETTS

In the case of contracts for the construction, acquisition, rental or operation of new lines, or the extension of existing lines, the consent of the Board of Directors of the Company is necessary, unless the Public Service Commission shall decide that public convenience and necessity require the extension and that the return upon securities, issued under the authority of the Act, will not be impaired. The right of appeal to the Supreme Judicial Court of Appeals rests with the Company. (Sec. 12.)

WESTERVILLE

The Company is required to rebuild a certain portion of its line, in accordance with the specifications for "boulevard construction," as set forth in the Grant, at such time as the Commissions shall improve the highway in which the tracks of the Company are located. (Secs. 6 and 14.)

All other Extensions, Betterments and Permanent Improvements, may be proposed by either the Commissioners or the Company. If proposed by the Company, they must be approved by the Commissions, if the cost is to be added to Capital Value. If proposed by the Commissioners they must be carried out by the Company, unless a Board of Arbitration shall decide that the ability of the Company to earn its fixed return is jeopardized, or that the Company is unable to finance them. (Sec. 14.)

DALLAS

Extensions may be ordered by the City or proposed by the Company. The order or proposal shall be accompanied by a requisition, setting forth in reasonable detail the cost of the proposed project, and if necessary to a clear understanding the Grantee shall furnish specifications and plans in further detail. In the case of "Extensions," as distinguished from "Betterments and Improvements," approval must be given by the Board of Commissioners. In the case of "Betterments and Improvements," the Supervisor may act if he so desires without approval of the Board. The Supervisor or Commissioners, as the case may be, must within thirty days from the receipt of the requisition, either approve or disapprove it. Failure to act within thirty days shall be taken as approval. The Company, before proceeding with work, is required, if necessary, to secure the approval of abutting property owners. If the Company contends that any Extension, Betterments or Improvement ordered by the City with jeopardize its ability to earn the stipulated Return under the highest fare allowed by the Grant, the matter of making the proposed Extension, Betterment or Improvement shall be arbitrated. No decision of an Arbitration Board shall, however, relieve the Company from its obligation to construct, not to exceed two miles of line per year, when ordered so to do by the City under a State law covering the question, nor to relieve the Company from its obligation to expend under the direction of the City \$1,000,000 for Extensions, Betterments and Improvements within eighteen months after the taking effect of the Grant as required by the Grant. (Secs. 2 and 27.)

When in case of accident or emergency it is impracticable to submit requisitions prior to the making of Extensions, Betterments and Improvements, the Company shall within sixty days after the work is completed file in complete detail a requisition therefor. This shall be approved or disapproved by the Supervisor or Commission within fifteen days, and of the City and Company fail to agree thereon shall be submitted to Arbitration. (Sec. 27.)

When the City limits are extended, so as to bring within the same, portions of the Company's lines formerly outside, the construction, maintenance and operation of the lines so included shall be under the terms of the Grant subject to existing mortgages and other liens, and the Company shall surrender its rights to operate under and other franchise. (Sec. 2.)

MEMPHIS

The Utilities Commission has the control granted it by the general statutes of the State.

(c) Outside of Municipality

CLEVELAND

The cost of Extensions, Betterments and Permanent Improvements to Suburban Lines, can be added to Capital Value, only by agreement with the City, and when such extensions, betterments and permanent improvements will be self supporting. (Sec. 29.)

YOUNGSTOWN

There is no provision in the grant covering Extensions, Betterments and Improvements outside of the Municipality, these being within the discretion of the Company.

CINCINNATI

There is no provision in the grant.

BOSTON

Powers of Trustees extend over entire system.

MASSACHUSETTS (General)

The act provides for State control, regardless of municipal boundaries.

MONTREAL

The powers of the Commission, in regard to extensions, betterments and permanent improvements, extend over the entire system, with the proviso that outside of "Uniform Tariff" territory (see F-1) "the cost of construction of any new line or the extension of any existing line, or of their operation, shall not be a burden on the revenues of the Company in the sense that the revenues of such lines must be sufficient so as not to affect unjustly the passenger and freight tariff on the other parts of the Company's system" (Art. 36).

EASTERN MASSACHUSETTS

Powers of the Trustees extend over entire system.

WESTERVILLE

Commission has no control outside Franklin County.

DALLAS

"No Extensions, Betterments and Improvements outside of the then City limits, unless required by law, shall be made, except with the formal consent of the City expressed by ordinance or resolution of the Board of Commissioners; and in any event the same shall be made under the supervision of the City, as provided herein for Extensions, Betterments and Improvements within the City limits. In the event that such Extensions, Betterments and Improvements outside of the City limits are required by law, the Grantee shall have the right to add the cost thereof to Property Value." (Sec. 27.)

MEMPHIS

The Utilities Commission has the control granted it by the general statutes of the State.

5.— OF CAPITALIZATION, FINANCES AND ACCOUNTS
(a) Ordinary Expenses

CLEVELAND

The operating allowance, Maintenance, Depreciation and Renewals allowance and return upon Capital value is fixed by the grant. (Secs. 15, 18, 19.)

No expenditure for renewals and replacements may be made from the Maintenance, Renewals and Replacement funds, without the approval of the City. (Sec. 20.)

YOUNGSTOWN

The allowances for Operation, Maintenance, Repair and Renewals, and for Return upon Capital Value are fixed by the grant. (Secs. 11, 11-A, 12, 12-A, and 10-E.)

No renewal or replacement charge to the Maintenance, Repair and Renewal Account shall be made without the consent of the City Council, or the Commissioner when authorized to approve such charges by the City Council. Disagreements are subject to arbitration. (Sec. 12-a.)

The salaries of all officials, the whole or any part of whose salary is paid from the receipts of the City system, are subject to the approval of the Commissioner. In case of disagreement the dispute shall be settled by arbitration. (Sec. 11-Da.)

CINCINNATI

The operating expenses are fixed in a budget, which is subject to the approval of the City. (Sec. 8.) Other items of expense are fixed by the terms of the grant.

BOSTON

Control complete (Sec. 2.)

MASSACHUSETTS (General)

The Act provides for no further supervision and control over expenses than is now exercised by the Public Service Commission.

MONTREAL

The Commission has no direct jurisdiction over the ordinary expenses of the Company. If the operating allowance be exceeded by more than two and one-half per cent, the Commission is empowered to disallow any expenses which it considers to have been unnecessary, and the amount so disallowed shall be taken from the guarantee fund (See H-2) (Art. 92, Par. 1).

EASTERN MASSACHUSETTS

Control complete. (Secs. 11, 13.)

WESTERVILLE

The Commissioners, if they consider the proportion of expenses for salaries and other expenses, charged to the Westerville division by the Company to be excessive, may demand that the question be submitted to arbitration, in which event the award of the Arbitration Board shall prevail. (Sec. 13-c.)

There is no other provision for direct control of expenses, except that the items which shall constitute the cost of the service are defined. (Sec. 13.)

DALLAS

It is the duty of the Supervisor to keep informed as to the expenditures of the Company for salaries, supplies and other costs of operation and if in his opinion the methods of the Company are wasteful, he shall notify the Company that wastefulness exists in the purchase or use of materials or employment of persons or their compensation or in any other matter connected with the business, and after an investigation, the cost of which shall be paid by the Company, he may further notify the Company as to the ways in which such wastefulness occurs and his suggestions for its correction. In the event of a disagreement between the Supervisor and the Company, as to the existence of such wastefulness or the method of its correction, the matter shall be submitted to Arbitration. (Sec. 29.)

MEMPHIS

The Utilities Commission has such jurisdiction as is granted it by the general statutes of the State.

(b) Securities**CLEVELAND**

The sale of stocks and bonds, to be added to Capital value, may be made only with the consent and approval of the City. (Sec. 15.)

YOUNGSTOWN

The sale of stocks, bonds and the incurring of floating debt, to be added to capital value, shall be subject to the approval of the city. (Sec. 10-B.)

CINCINNATI

The City shall approve the amount and character securities, the rate of interest or dividend, sinking fund provisions, and the price at which such securities may be sold. (Sec. 22.)

BOSTON

The Trustees have authority to make contracts in the name of the Company and to issue stocks, bonds and other evidences of indebtedness in its behalf. (Sec. 3.)

In spite of the fact that the Company, by the acceptance of the act, have consented to this power being lodged in the Board of Trustees, the Board of Directors are required by the provisions of the act to take such action, as they may be requested to by the Board of Trustees to validate its acts in relation to the issuance of securities. (Sec. 4.)

MASSACHUSETTS (General)

The investment upon which return is allowed is fixed by the Public Service Commission. (Secs. 2, 4.) Existing law provides the conditions under which new securities may be issued and includes supervision and control by the Public Service Commission.

MONTREAL

New Capital, upon which return is allowed, needed for purposes, approved by the Commission, shall be borrowed, if, in the judgment of the Commission, their condition permits, from the Contingent Reserve Fund (see F-2) and from the Maintenance and Renewals Fund (see E-3-b-61), and from the Tolls Reduction Fund (see F-2). Moneys so borrowed shall be reimbursed

by the Company when and as ordered by the Commission (Sec. 92, par. 3). When it is not possible to borrow from these funds, money shall be obtained in the usual manner, but it is provided that, except in the case of certain trust deeds now in existence covering \$1,500,000, mortgages or issues of mortgage bonds or debenture stock shall not aggregate more than seventy-five per cent. of the total additional new capital. (Art. 92, par. 3.)

EASTERN MASSACHUSETTS

The Trustees have the authority, with the approval of the Public Service Commission, to issue stocks, bonds and other evidences of indebtedness of the Company. The acceptance of the act is deemed to have given the assent of the stockholders and Directors of the Company to such issues, but if it becomes necessary, the Directors are required to take such action as may be requested by the Trustees in regard to security issues. (Sec. 13.)

Securities may be issued, for the purpose of refunding existing obligations, or for the purpose of constructing, or acquiring, new lines, for the extension of old lines, for the improvement of the property, for the purchase of new equipment or for any other purpose, only with the approval of the Public Service Commission. (Secs. 5, 7.)

WESTERVILLE

There is no provision for the control of security issues.

DALLAS

The City assumes no control over the issuance of securities by the Company, other than to require that the amount of bonds issued shall at no time exceed 85 per cent. of the then Property Value. The Company is given, with this exception, express permission to issue securities as it may see fit, while the City, in addition, agrees to approve and certify security issues when it is requested so to do by the Company. The basis of the control exercised by the City, is the Property Value of the Company as fixed by the Grant and the City is not concerned with the amount of outstanding securities, except as they affect the terms of purchase. (Sec. 39.)

MEMPHIS

The Utilities Commission has such jurisdiction as is granted it by the general statutes of the State.

(c) Bookkeeping**CLEVELAND**

The City, acting through the Street Railroad Commissioner, has general supervision over the bookkeeping and accounting methods of the Company, subject to arbitration by the Committee on Standard Classification of Accounts of the American Electric Railway Accountants' Association. (Secs. 10, 15.)

YOUNGSTOWN

The Commissioner shall have supervision over the book-keeping practices of the Company. In case of dispute, disagreement shall be submitted to the arbitration of the Committee on a Standard Classification of Accounts of the American Electric Railway Accountants' Association, or to any other person, or persons to whom the regulation of accounts may be delegated by law. (Sec. 8.)

CINCINNATI

The City, acting through the Director of Street Railroads, has general jurisdiction over the method of keeping books and accounts. If the Director disapprove of such methods, he shall notify the Companies, and if a dispute arises the matter shall be referred to the authorities with whom the regulation of such matters may rest (Presumably the Ohio Public Utilities Commission). The Director is empowered to audit receipts, disbursements, vouchers, prices, pay rolls, etc. (Sec. 8.)

BOSTON

Control in hands of Trustees.

MASSACHUSETTS (General)

The act provides for no further supervision and control over bookkeeping than is now exercised by the Public Service Commission. This is, however, extensive.

In addition to the powers already exercised by the Public Service Commission over accounts, it is provided that the Companies shall each month furnish the Commission with such statements, as the Commission may direct, showing the condition of the reserve fund, the income and expenditures of the previous month, and such additional information as the Commission may require. (Sec. 11.)

MONTREAL

The Commission has the right, "by itself or its employes, at any time, to examine all the Company's records or other documents, and to inspect the Company's property, but for the examination, verification and audit of the Company's accounts, the Commission, unless it does so itself, shall employ a chartered accountant." (Art. 18.)

Within thirty days after the expiration of each year of operation the Company is obliged to furnish to the Commission detailed statements of its expenditures for operation, maintenance and renewals, and return upon capital value. (Art. 92, Par. 9.)

EASTERN MASSACHUSETTS

Control in hands of Trustees. (Sec. 11.)

WESTERVILLE

The Commission is given access to the books, records and accounts of the Company, to the extent necessary for the ascertainment of all facts in connection with the operation of the Division and the carrying out of the terms of the Grant. (Sec. 16.)

The Commission is not given power to prescribe or supervise the bookkeeping or accounting methods of the Company, nor are there any provisions in the Grant, covering the methods in which books and accounts shall be kept.

DALLAS

The method of vouching expenditures, or of keeping accounts may be disapproved by the Supervisor, in which case the decision of the Commissioners shall be final and not subject to arbitration. It is stipulated, however, that the system of accounts promulgated by the American Electric Railway Accountants' Association, the

Interstate Commerce Commission, or by any law of the State of Texas, or authority granted thereunder, shall be satisfactory. (Sec. 11.)

MEMPHIS

Under the jurisdiction given it by the general statutes of the State, the Commission requires that the accounts of the company shall be kept in accordance with the Standard Classification of Accounts of the Interstate Commerce Commission, subject to such modifications as the Utilities Commission may from time to time make.

The Company is required to furnish to the Commission its regular monthly statements and such other statements as the Commission may require, showing the condition of the Fare Index Fund, various other reserves, its revenue and details of the cost of the service for the previous month, and such other information as the Commission may desire. The Commission may make such investigation of the accounts of the Company as it may deem necessary, the cost to be borne as a part of the cost of service.

(6) METHODS AND PRACTICES

CLEVELAND

The City Street Railroad Commissioner is charged with the duty of seeing that the Company uses due diligence in the collection of its revenue, and in enforcing the rules against the granting of free transportation. He is to require the Company to adopt such methods in this respect as he may prescribe. (Sec. 30.)

YOUNGSTOWN

No settlement for claims and damages shall be paid unless approved by the City Solicitor, who is privileged to appear in all actions for damages, involving City lines. (Sec. 10-Ca.)

CINCINNATI

The Director must approve contracts for use or sale of power, and new and additional leases of street or interurban railways. (Sec. 8.)

No transfer of franchises or grants shall be made without the approval of the Director. (Sec. 8.)

BOSTON

Control in hands of Trustees.

MASSACHUSETTS (General)

"The Commission may require such changes in the management and operation of any company which has accepted the provision of this act, as in its opinion, may be necessary for the efficient conduct of the business of the company in the interest of the public." (Sec. 11.)

"In case any special investigation of any company is deemed necessary by the Commission, the Commission may order such investigation, the expense thereof to be paid by the Company." (Sec. 11.)

In addition, the Public Service Commission is by the general laws of the State already clothed with extensive powers of supervision and control.

MONTREAL

Certain methods and practices are provided for in the agreement, as:

The use of T-rails is forbidden, except in streets that are unpaved or paved with plain asphalt. (Arts. 42, 52.)

The use of iron trolley poles is required. (Art. 45.)

Conductors and agents must speak both French and English. (Art. 59.)

Cars must carry illuminated route and destination signs (Art. 61.)

EASTERN MASSACHUSETTS

Control in hands of Trustees. (Sec. 11.)

WESTERVILLE

No provisions.

DALLAS

Methods of construction, maintenance and operation, including location, character and type of tracks, and the location of all poles,

wires and other appurtenances in the street are subject to City ordinance, rules and regulations. (Sec. 3.)

Rails shall be maintained flush with the street. (Sec. 3.) See also C.-4, (a).

MEMPHIS

The Utilities Commission has such jurisdiction as is granted it by the general statutes of the State. The order provides that it may make such investigation of the character of the service as it deems necessary, the cost to be borne as a part of the cost of service.

7.—USE OF TRACKS AND FACILITIES BY OTHER COMPANIES

CLEVELAND

No provisions.

YOUNGSTOWN

No provisions.

CINCINNATI

The Company is required to permit the use of its track by suburban, interurban, elevated or underground electric railways, or union interurban terminal railways, for access to terminals of such railways within the city, or for access to any rapid transit railway which the city may build, upon terms and conditions including a reasonable return upon the investment of the Company. In the event of a disagreement, the decision of the Director of Street Railroads shall be final, except that the Company may appeal to any court of competent jurisdiction on the ground that the conditions are inequitable, or that the compensation fixed does not provide cost and a proper return to the Company. (Sec. 8.)

BOSTON

No provisions covering these matters in the act, but as Sec. 2 takes jurisdiction away from the Public Service Commission, that body is now without power to order joint use of track.

MASSACHUSETTS (General)

No provisions.

MONTREAL

With the acceptance of the use provided by the agreement between the Company and the Southern Counties Railway Co., in existence at the time the agreement took effect, the Company is forbidden to permit the use of its tracks by another company, or to connect its tracks with those of another company without the consent of the Commission. (Art. 28.)

EASTERN MASSACHUSETTS

No provisions except that the Company is especially authorized to dispose of surplus electricity, at rates and charges to be fixed by itself, subject to the approval of the State Board of Gas and Electric Light Commissioners which shall first determine that public necessity and convenience requires the same. (Sec. 20.)

WESTERVILLE

No provisions.

DALLAS

The Company upon which the Grant was conferred was organized to acquire, among other properties, the Interurban Terminal owned by the Dallas Interurban Terminal Association, and to execute leases with the interurban companies entering Dallas for its use by them.

Under the Grant, the Company is required to permit the use of its tracks for the purpose of reaching the terminal, by any interurban which may secure the consent of the City to enter the City. In the event of disagreement as to the compensation to be paid the matter shall be submitted to arbitration. The award of the Arbitration Board shall be binding, unless disapproved by the Board of Commissioners, which may then decide upon the compensation to be paid and such decision shall then be binding. (Sec. 37.)

During the first ten years after the taking effect of the Grant, the Company is required to permit the use of the terminal by at least four new interurban companies and to permit their participation in the lease, regardless of the effect upon the ability of the Company to earn its stipulated rate of return, provided that the

consent of the Commissioners is obtained, and the Company shall further provide facilities for such Companies. (Sec. 37.)

After ten years, or after four new interurbans have been given entrance to the terminal, the question of the admission of any new interurban shall be subject to arbitration. If any interurban, party to the lease, shall object to the entrance of a new interurban on the grounds that the Terminal would be overcrowded, the Board of Arbitration shall decide whether the Terminal would be so overcrowded, and whether the furnishing of any additional facilities needed would jeopardize the Company's ability to earn its stipulated return under the highest fare allowed by the Grant. If the Board decides that the Terminal would not be overcrowded the new interurban shall be admitted. If it decides that it would be overcrowded and that the furnishing of additional facilities would jeopardize the Company's return the new interurban shall not be admitted. (Sec. 37.)

The City may order, or the Company may propose, subject to the City's approval, addition to Terminal facilities. In case of disagreement as to the jeopardy of the Company's return because of such expenditure the matter shall be arbitrated. (Sec. 37.)

Grantee may provide storage facilities in connection with the Terminal, and the use of such facilities including track connections by interurbans shall be permitted by City. (Sec. 37.)

If Grantee elects not to renew lease of any interurban and such interurban elects to purchase under terms of lease, the price shall be subject to the approval of the City, and the Grantee shall submit to arbitration any disagreement as to the price fixed by City. (Sec. 37.)

When the ownership of the Terminal by the Grantee ceases the provisions of the Grant relative to its use cease to be operative. (Sec. 37.)

The Grant does not abridge or interfere with existing contracts affecting the operation of interurban or suburban cars, or interurban express cars. Copies of such contracts must be filed with the City. (Sec. 37.)

The City may require the Company to permit the attachment to its poles of the wires of other persons or corporations, providing that it can be shown that such attachment is safe, and that

it does not subject the Company to increased risks of interruption, and only if the wires and appurtenances to be attached conform with the modern practice. (Sec. 3.)

The City may grant to the Company under like conditions the right to attach its wires to the poles of other corporations or persons. (Sec. 3.)

MEMPHIS

The Utilities Commission has such jurisdiction as is granted to it by the general statutes of the State.

3.—MACHINERY OF CONTROL

(a) Power; Where Lodged

CLEVELAND

Such control over the affairs of the Company as is provided in the grant, is exercised by the City acting through its City Council.

YOUNGSTOWN

The general power of control is lodged in the city of Youngstown, acting through its City Council. Certain details of administration are assigned to the Commissioner. (Sec. 6.)

CINCINNATI

The approval of type and character of construction is with the boards and officers of the City having jurisdiction under law and ordinance. (Sec. 6.)

The power to order changes and extensions of routes and additional lines of road is lodged in the City Council, which shall act by ordinance. (Sec. 8.)

The approval of the issuance of securities is lodged with the Director of Street Railroads and the Public Utilities Commission of Ohio. (Sec. 22.)

The control of service is vested in the Director of Street Railroads. (Sec. 8.)

BOSTON

All control is lodged in a Board of five Trustees, appointed by the Governor, with the advice of his Council. Their term is ten years, the fixed period of public management and control. If

this period is extended, their successors may be appointed for a like term but not for longer than public management and control shall continue. They shall own no stock, or other securities of the Company, or companies leased or operated by it. They receive \$5,000 a year, each, paid by the Company. They may be removed for cause by the Governor, with the advice and consent of the Council. Vacancies are filled by the Governor with the consent of the Council.

The Trustees are relieved by the act from the legal inhibition against the employment by the Company of any person at the instigation of public officers, in so far as it might apply to them as public officers. In other respects they are subject to the laws of the State governing public officers as are the Directors of the Boston Elevated Railway Company. (Sec. 1.)

In the management and operation of the company, the Trustees shall be deemed to be acting as agents of the Boston Elevated Railway Company and not of the Commonwealth and the Company is liable for their acts as if they were in Company employ, but the Trustees shall not be held personally liable. (Sec. 2.)

A majority of the Board constitutes a quorum for the transaction of business. (Sec. 2.)

MASSACHUSETTS (General)

Control of the affairs of the Company is exercised in two ways. First, through three trustees appointed to the Board of Directors of the Company by the Governor who are in intimate touch with its corporate affairs. (See C-1), and, second, by the State Public Service Commission. (Secs. 2, 4, 6, 7, 8, 11, 12, 13, 14.)

MONTREAL

Two Commissions have jurisdiction over the affairs of the Company. The agreement does not change the jurisdiction already possessed by the Quebec Public Utilities Commission, but confers certain powers and duties upon the Montreal Tramways Commission, and it is agreed as between the Company and the City, that in all matters in which the Montreal Commission has jurisdiction, demands and complaints shall be initiated before it,

although under the law, they might be taken directly to the Quebec Public Utilities Commission. When an appeal from the decision of the Montreal Commission to the Quebec Commission is not authorized under the agreement, or when an appeal is authorized but not made and the Company refuses or neglects to carry out the orders of the Montreal Commission, the matter is reported to the Quebec Commission, which shall issue and enforce such orders in the premises as it deems necessary. In other words the Quebec Commission acts as a court of appeals in matters in which the Montreal Commission has jurisdiction, and its powers may be invoked by the Montreal Commission in matters over which the latter has no jurisdiction. (Art. 20.)

When the Commission shall refuse or neglect to act in any matter within its jurisdiction as established by the agreement, within the period therein allowed for delay, or if no such period is fixed, within a reasonable time, upon the request of any interested party, the Quebec Public Utilities Commission shall act in its stead. (Art. 91.)

In addition certain power is lodged directly with the City: Grades of tracks in streets shall be fixed by the city engineer (Art. 40); the pavement to be used between the tracks shall be specified by the city (Art. 41); the city engineer shall specify the system of track drainage to be used (Art. 50); the City may specify the manner in which snow and ice shall be removed from tracks (Art. 66); the City may, if in the opinion of the Commission, the work will not interfere with the traffic, require the Company to flush, sprinkle or sweep streets and to carry garbage, waste, rubbish and snow for the city, at a price which shall include a profit of ten per cent. over cost. (Art. 68.)

EASTERN MASSACHUSETTS

Control is lodged in a Board of Five Trustees, appointed and removable by the Governor with advice and consent of his Council. Their term of office is ten years, the full period of public control. The salary is \$5,000 a year each, to be paid from the receipts of the Company.

The Trustees elect their own Chairmap. The affirmative action of not less than three members present at any stated or special

meeting is necessary or required for the action of the Board. (Sec. 11.)

In the management and operation of the Company, the Trustees shall be deemed to be acting as the agents of the Company, and the Company is liable for their acts, as if they were in the employ of the Company. The individual Trustees are not to be held personally liable, except for malfeasance in office. (Sec. 11.)

WESTERVILLE

Control is lodged in the Board of County Commissioners of Franklin, or in the event that the Board is abolished, then in such other public officers as may be assigned its duties. (Secs. 6 and 7.)

DALLAS

By the provisions of the Grant, certain specific authority is given both to the Supervisor of Public Utilities and to the Board of Commissioners (i.e., Board of City Commissioners, Dallas having a Commission form of Government). In general, however, the powers of the Supervisor are largely administrative and the actual control is lodged with the Board of Commissioners.

MEMPHIS

Lodged in the State Railroad and Public Utilities Commission.

(b) Administration

CLEVELAND

A City Street Railroad Commissioner is appointed by the Mayor, with the approval of the City Council, and is removable at the pleasure of the City. His salary and expenses are paid by the Company. (Sec. 10.)

YOUNGSTOWN

A Street Railroad Commissioner is appointed by the Mayor subject to the confirmation of the City Council. He is subject to removal by the Mayor, who is authorized to appoint his successor. (Sec. 8.) His salary, not to exceed \$600 a month, is paid as an Operating Expense. His administrative expenses,

including assistants, etc., not to exceed \$900 a month, are charged as an operating expense. His expenses in connection with the preparation of plans and estimates for, and supervision over, Betterments, Extensions and Permanent Improvements are a charge against Capital Value, if the improvements be carried out, but against Operating Expense, if they be not carried out. (Secs. 8-A and 15-D.)

CINCINNATI

The office of Director of Street Railroads was in existence at the time of the passage and acceptance of the present agreement, which simply specifies his duties under the terms of the grant, and does not provide for his appointment or compensation. As a matter of fact he is appointed by the Mayor and his salary and expenses paid by the City.

BOSTON

The affairs of the Company are administered by the Board of Trustees, a majority of whom shall constitute a quorum. (Sec. 2.)

MASSACHUSETTS (General)

The Public Service Commission is directed to divide the State into "Street Railway Districts," and to appoint for each such district, in which is located one or more companies, which have accepted the provisions of the Act, one or more Resident Supervisors, whose term of office shall be three years and whose salaries and expense allowances shall be fixed by the Commission, and paid by the Company or companies to the supervision of which they are assigned. (Sec. 11.) Such Commissioners report to the Public Service Commission. (Sec. 11.)

The administration of the Act lies with the Public Service Commission, which is authorized to enforce its orders, rules and regulations in the manner already provided by statute for the enforcement of Public Service Commission orders. (Sec. 15.)

MONTREAL

There is created the Montreal Tramways Commission, consisting of three members, to be appointed by the Lieutenant-Governor in Council, who shall also designate the chairman and acting chairman. Appointees shall reside in the territory under the

Commission's control (Arts. 2, 3); the term of office of each Commissioner is ten years, but he may be dismissed for cause by the Lieutenant-Governor (Art. 5), and the City or the Company may bring *quo warranto* proceedings in the Superior Court for the District of Montreal to oust any Commissioner, on the ground of fraud, bribery, refusal or neglect to carry out in good faith the powers and duties assigned by the agreement, or if he is disqualified because of his being a member of the City government, or of any of the municipalities interested, or in the employ of any of the parties or municipalities interested in the agreement, or hold any of the securities of the Company, or be interested directly or indirectly in any contract with one of the parties or with any of the municipalities, or be interested in any patented article used by the Company, or be a holder of the securities of any company having a contract with the City, Company or any of the municipalities; or be a member of the Legislative Assembly or of the Legislative Council of the Province. (Arts. 6, 7.) Vacancies are filled by the Lieutenant-Governor; the compensation of the Commissioners is fixed by the Lieutenant-Governor and paid by the Company. (Art. 9.) The Commission makes the rules for its internal government and for procedure in matters brought before it, which rules must be approved by the Quebec Public Utilities Commission. (Art. 10.) Every decision of the Commission to be effective must have the votes of at least two members (Art. 8), and cannot be rendered until all interested parties shall have been notified. (Art. 12.) The Commission may appoint a secretary, such employes as it may require, and fix their salaries, engage and pay experts and lawyers, provide itself with suitable offices and whatever it may need to enable it to perform its duties, and the Company shall pay all such expenses at the request of the Commission, except that it may appeal to the Quebec Public Utilities Commission for a revision of such expenses. (Art 17.)

EASTERN MASSACHUSETTS

The affairs of the Company are administered by the Board of Trustees. (Sec. 11.)

WESTERVILLE

The Commissioners may appoint a Street Railway Commissioner, remove such Commissioner and fill vacancies in the office. (Sec. 8.)

The Street Railway Commissioner shall represent the Commissioners in all matters relating to service, schedules and operation of cars. He shall be paid a salary of not more than \$50 a month, unless a higher sum is mutually agreed upon by the Commissioners and the Company. His salary and necessary expenses shall be included as part of the cost of operation. (Sec. 9.)

DALLAS

The administrative officer, the Supervisor of Public Utilities, is appointed by the Board of Commissioners for an indeterminate term, is removable at the Board's pleasure, and if found to be incompetent or dishonest must be so removed. (Sec. 11.)

If at any time the provisions of the act relative to the authority of the Supervisor are found to be invalid, the Board shall appoint one of its members to act as Supervisor *ex-officio*. (Sec. 43.)

In the case of the temporary absence or the disability of the Supervisor the Board of Commissioners may appoint some one to act in his stead, and until such appointment is made the Mayor shall so act. (Sec. 11.)

The Company shall, at the request of the Board, furnish, not to exceed two rooms as offices for the Supervisor, together with needed furniture and supplies. (Sec. 11.)

The Supervisor may employ such assistants, including engineers, accountants and clerks, as may be authorized by the Board of Commissioners. (Sec. 11.)

The salary of the Supervisor shall be fixed by the Board of Commissioners. The Company shall pay such proportion of the salary and of the expenses of administration, including the salaries of his assistants, as its total gross receipts bear to the total gross receipts of all utilities supervised by him, except that it shall not be required to pay in any one month more than one-half of one per cent of its average monthly gross receipts for the preceding twelve months. The salaries paid shall in no case be unreasonable in amount. (Sec. 11.)

The Supervisor may further employ such assistants as may be necessary to permit the checking of estimates for Extensions, Betterments and Improvements, and for checking materials, labor and other costs of such Extensions, Betterments and Improvements, and in the event that the Extensions, Betterments and Improvements are made such expenditures shall be charged against them and added to Property Value, while, if they are not made, the expenditures shall be charged to Operating Expenses. (Sec. 27.)

MEMPHIS

Administration is by the State Railroad and Public Utilities Commission.

(c) Powers and Duties of Administrative Body

CLEVELAND

The City Street Railroad Commissioner is the technical advisor to the City Council, in matters affecting the interpretation of the grant, and in matters affecting the quantity and quality of the service, its cost, and the rate of fare. He is to keep informed as to

- The cost, quality and quantity of service,
- The receipts, disbursements and property of the Company,
- The rate of fare.
- The vouchering of expenditures,
- The keeping of accounts.

Other bookkeeping methods (Sec. 10). He is to require and secure from the Company monthly reports of car-mileage and earnings, and such other reports as he may deem necessary. He has authority to inspect, examine, audit and verify the accounts, vouchers, documents, books and property of the Company, relating to the receipt and expenditure of money, and the operation of the Company. (Sec. 15.)

He has power, pending action of the City Council and to meet emergencies to approve changes in schedules and routes. (Sec. 12.)

When authorized so to do by the City Council he shall exercise the Council's power to pass upon expenditures for renewals and replacements, made from the Maintenance, Renewals and Replacement Fund. (Sec. 20.)

He shall prepare estimates of Extensions, Betterments and Permanent Improvements, to be proposed by the City, and shall check estimates for the same purpose proposed by the Company. (Sec. 27.)

He shall inform himself as to the methods and practices of the Company, in the matter of collection of revenue and the granting of free transportation, and if these methods are in his judgment wasteful, he shall notify the Company and secure their correction. (Sec. C-4-(d).) (Sec. 30.)

YOUNGSTOWN

The Street Railroad Commissioner is the technical adviser to the City Council as to the interpretation of the grant, and as to matters affecting service, its cost or the rate of fare.

He shall keep informed as to:

- The cost, quality and quantity of service,
 - The receipts, disbursements, property and equipment of the Company,
 - The rate of fare,
 - The vouchering of expenditures,
 - The keeping of accounts and other bookkeeping methods.
- (Sec. 8.)

Shall have authority over the carrying of city passengers on interurban and suburban cars. (Sec. 11-E.)

Shall, with the City Solicitor, act in the allotment of damages as between the City system and the interurban and suburban system for accidents on interurban and suburban cars. (Sec. 11-E.)

Shall require and cause to be made by the Company monthly reports of car mileage and earnings and such other statements as he or the City Council may require. (Sec. 7.)

Shall, in emergencies, and pending action by the City Council, have power to approve changes in routes and schedules. (Sec. 6.)

Shall have the power to inspect and audit receipts, disbursements, vouchers, payrolls, time cards, shop cards, papers, books, documents and property of the Company. (Sec. 8-A.)

Shall approve all salaries paid officials, who receive all, or part of their salaries from receipts of City lines. (Sec. 11-Da.)

Shall, when authorized by the City Council, have jurisdiction over all charges for replacement and renewals proposed to be made from the Maintenance, Repair and Renewal Account. (Sec. 12-A.)

Shall supervise methods of fare collection and enforce the rules regulating free transportation and shall prevent wasteful expenditures for materials or in the employment of persons. (Sec. 14-A.)

Shall prepare for the City estimates and plans for Extensions, Betterments and Permanent Improvements, proposed by the City, and shall supervise the work of carrying out such Extensions, etc., whether proposed by the City or the Company. (Sec. 15-D.)

May require the Company to place at interest moneys raised for Betterments, Extension and Permanent Improvements when same are not to be used for at least one month. (Sec. 10-B.)

CINCINNATI

The Director of Street Railroads —

He is technical adviser to the Council in all matters affecting the interpretation of the Grant, and in matters affecting the quantity and quality of the service, its cost and the rate of fare. He is vested with such control of the service as is reserved to the City. He shall keep informed as to —

The cost, quality or quantity of the service;

The receipts, disbursements, leases, rentals and property of the Company;

Transfers, transfer regulations and rules;

Vouchers of expenditures and payments to the City provided by the grant;

The manner of compliance by the Compny with the terms of the Grant, or rules made, orders issued and decisions rendered. (Sec. 8.)

He is empowered to inspect and audit all receipts, disbursements, vouchers, prices, pay rolls, salaries of officers, time-cards, papers, books, documents and property of the Companies bearing upon the performance of their duties and obligations. (Sec. 8.)

Contracts for the use and sale of power and the leases of new and additional lines of street and interurban railways are subject to his approval. (Sec. 8.)

Neither franchises of the Company, nor grants made to the Companies may be transferred without the approval of the Director. (Sec. 8.)

The Budget of Operating Expenses, by General Accounts, is subject to his approval, and may not be exceeded except upon the submission and approval of a supplementary estimate. (Sec. 8.)

Contracts for the use of the tracks and other facilities of the Companies, by other railways are subject to his approval and in the event of a disagreement between the Companies and railways desiring to use such facilities, he may fix the compensation, subject to review by a court of competent jurisdiction. (Sec. 8.)

He may change and revise the rules issued by the Company for the regulation of transfers. (Sec. 8.)

He is empowered to require the Companies to display in their cars copies of transfer regulations. (Sec. 11.)

The rules of the Companies regulating the sale of tickets are subject to his approval. (Sec. 20.)

He shall approve, or in the event of his disapproval, fix rates for the carrying of freight, express matter and packages, subject to review by a court of competent jurisdiction. (Sec. 20.)

He shall direct the depositing, or investment of Depreciation Funds, accumulated in accordance with the terms of the Grant. (Sec. 22.)

He shall certify the expenses and court costs incurred by the City in actions relative to the enforcement of the terms of ordinances, franchises and grants, which expense shall be paid as an Operating Cost. (Sec. 22.)

The payments provided in any new lease or agreement between the Cincinnati Traction Co. and the Cincinnati Street Railway Co., to be paid out of gross receipts are subject to his approval. (Sec. 22.)

Floating debt and the interest thereon, the proceeds of which are to be used for Capital Expenditures, or for producing the Company's share of the Reserve Fund are subject to this approval. (Sec. 22.)

He shall direct the accrual of a Working Capital Fund from gross receipts at such time as he may deem proper. (Sec. 22-G.)

He shall direct the depositing or investment of the Reserve Fund. (Sec. 22.)

BOSTON

The Board of Trustees shall:

Manage and operate the Company, and the properties owned, leased or operated by it. (Sec. 2.)

Exercise all the rights and powers of the Company and its directors. (Sec. 2.)

Appoint, and remove at its direction, the President, Treasurer, Clerk, and all other officers of the Company. (Sec. 2.)

Fix and regulate fares, including the issue, granting and withdrawal of transfers and the imposition of charges therefor. (Secs. 2, 6, 7, 10.)

Determine the character and extent of the service and the facilities to be furnished. (Sec. 2.)

Receive and disburse the income and funds of the Company. (Sec. 2.)

Make contracts in the name of and in behalf of the Company. (For limitations, sec. C, 4 (b).) (Sec. 3.)

Issue stocks, bonds and other evidences of indebtedness for the Company. (For limitations, see C. 4 (b).) (Sec. 3.)

Collect from the Commonwealth, at stated intervals, sums sufficient to make up deficiencies in the Reserve Fund, caused by the failure of revenue to pay the cost of service. (Sec. 11.)

Repay to the Commonwealth, when the condition of the Reserve Fund permits it, moneys received to make up deficiencies. (Sec. 11.)

Borrow needed sums in anticipation of payments by the Commonwealth to make up deficiencies in Reserve Fund. (Sec. 11.)

Maintain the property of the Company in good operating condition and provide for depreciation, obsolescence and rehabilitation. (Sec. 13.)

MASSACHUSETTS (General)

The Public Service Commission shall:

Determine the amount of "capital investment" of companies accepting the provisions of the act. (Sec. 2.)

Determine the status of the funded debt of any Company seeking to come under the terms of the act, in order to determine the amount of such debt, interest upon which shall be included in the cost of service. (Sec. 4.)

Direct the amount of and time of payment of the funds to be provided by the Company, for the Reserve Fund, and pass upon the proposal of the Company for its increase. (Sec. 3.)

Approve or disapprove of the schedule of fares, submitted by the Company, and if it disapprove, establish schedule in lieu thereof. (Sec. 6.)

Pass upon proposals by the Company to change fare schedules, either in regard to basis of fares or transfer privileges, or in regard to "steps," between the different rates. (Sec. 6.)

Pass upon proposals by the Company to make effective higher or lower grades of fare (when the Reserve Fund is above or below normal) at other times than those provided in the Act. (Sec. 7.)

Pass upon the Company's plan for making improvements through the expenditure of a special improvement fund, which the Company is obliged to provide before it is permitted to accept the provisions of the Act. (Sec. 8.)

Require from the Company monthly statements, covering the condition of the Reserve Fund, income and expenditures and such other matters, as will enable it to protect the public interest. (Sec. 11.)

Divide the State into Street Railway Districts and appoint one or more Resident Supervisors for each District. (Sec. 11.)

Make such special investigations of the affairs of the Company as it may consider necessary. (Sec. 11.)

Order such changes in management and operation of the Company as are, in its opinion, necessary for the efficient conduct of the business in the public interest. (Sec. 11.)

Require any foreign company furnishing electric light or power to the Company to file with it a schedule of all rates charged and such other information as the Commission may require and to pass upon the reasonableness of such charges to the Company. If the foreign company or companies refuse to furnish the information, or the Commission holds their charges to be unreasonable, the State Gas and Electric Light Commission is authorized by the Act, to prohibit the transmission by the foreign company or companies of electric current for light or power. (Sec. 11.)

Order the Company to dispose of property no longer of service to the Company and provide for its amortization over a period not to exceed ten years. (Sec. 13.)

Permit the Company to set aside during the war and for one year thereafter, a smaller amount for depreciation than would be considered adequate in normal times. (Sec. 13.)

The Resident Supervisors shall:

“Keep in constant touch with the operation of the companies, and inform the Commission of all complaints and criticisms of the service rendered.” (Sec. 11.)

In addition to these specific powers and duties, the Public Service Commission retains all of the powers and duties conferred upon it by the general street railway laws of the State. (Sec. 1.)

MONTREAL

The Montreal Tramways Commission —

Has the power and jurisdiction over service enumerated in C-2;

Has the power and jurisdiction over construction, maintenance and repairs, enumerated in C-3;

Has the power and jurisdiction over extensions, betterments and permanent improvements enumerated in C-4;

Has the power and jurisdiction over capitalization, finances and accounts enumerated in C-5;

Has the power and jurisdiction over the use of tracks and facilities by other companies enumerated in C-6;

Shall hear and decide all complaints made either verbally or in writing by any person whatsoever (Art. 13);

Shall make a report each year to the City, covering the Company's capital and other accounts relative to the maintenance and renewals, reserve and toll reductions funds (Art. 19);

May revoke or change any decision made by it, unless an appeal to the Quebec Public Utilities Commission has already been taken (Art. 21);

May decide whether it is necessary to remove and replace the tracks of the Company, in order that the City may carry on street improvements (Art. 48);

Shall supervise any work imposed upon the Company by the agreement (Art. 70);

Shall pass upon any contract made by the Company involving an expenditure of more than \$50,000, unless such expenditure is to be charged to the money available for distribution to the Company's stockholders, or which would be available if the dividends to be paid upon stock ~~was~~ ^{were} not limited by the agreement to ten per cent (Art. 71);

Shall fix and amend the passenger tariffs of the Company (Art. 76);

Shall decide whether or not a charge shall be made for transfers (Art. 77);

Shall pass upon the equity of agreements made the Federal Government for the carrying of mail (Art. 82);

Shall decide whether the Company shall be allowed to carry freight, and if it permits the carrying of freight, shall designate routes and the hours of the day and night during which freight may be carried (Art. 83);

Shall fix the freight tariffs of the Company (Art. 83);

Shall establish, with the approval of the Quebec Public Utilities Commission rules for freight transportation, the kind of commodities that may be transported and designate loading and unloading places (Art. 83);

May require the Company to establish autobus service, when and where, in its opinion the conditions of traffic warrants and the financial conditions permit (Art. 89);

Shall fix the operating allowance each year (Art. 92, Par. 1);

Shall fix the permissible average car-mile density each year (Art. 92, Par. 1);

Shall decide whether any part or all of expenditures in excess of 102½ per cent. of the operating allowance shall be charged to gross revenues or taken from the guarantee fund (see H-2) (Art. 92, Par. 1);

May increase or decrease the maintenance allowance (see E-2-b-61), except that it may not be decreased below an amount which will insure a minimum of \$500,000 in the maintenance and renewals fund (see E-2-b-61) (Art. 92, Par. 2);

Shall direct the disposal of worn out or obsolete property, subject to the provisions of any existing trust deed (Art. 92, Par. 2);

Shall supervise the extensions, betterments and permanent improvements, made by its orders or with its consent (Art. 92, Par. 3);

Shall require the Company to provide working capital, as and when needed (Art. 92, Par. 3);

Shall administer the tolls reduction fund (see F.2) (Art. 92, Par. 6);

Shall recover by proceedings before the Recorder's Court of Montreal, fines and penalties incurred by the Company for failure to obey its orders (Art. 96).

EASTERN MASSACHUSETTS

The Board of Trustees shall:

Manage and operate the company, including the receiving and disbursement of its funds. (Sec. 11.)

Exercise all the rights and powers of the Company and its officers. (Sec. 11.)

Appoint and remove in their discretion the officers of the Company. (Sec. 11.)

Fix and regulate fares, including the issue, and withdrawal of transfers and the imposition of charges therefor. (Sec. 11.)

Determine the character and extent of service and facilities to be furnished. (Sec. 11.)

Contract for the construction, acquisition, rental or operation of new lines, and for the extension, sale or lease of existing lines, subject to the consent of the Board of Directors of the Company except when the Public Service Commission shall determine that public necessity and convenience require such action and that the

return upon securities authorized by the Act will not be impaired. (Sec. 12.)

Make such other contracts as may be necessary for the operation of the property. (Sec. 13.)

Issue, stock, bonds and other evidences of indebtedness, for and in behalf of the Company. (Sec. 13.)

Make such allowances to the Company's Board of Directors for corporation expenses as it may consider necessary. (Sec. 13.)

Distribute among the security and stockholders of the Company, as their interests may appear, any income applicable to interest and dividends. (Sec. 14.)

Fix the initial rate of fare to be charged and maintain at all times a schedule of at least four grades of fare, two above and two below the rate of fare in effect. (Sec. 15.)

Adjust fares to meet the cost of service, in accordance with the state of the Reserve Fund. (Sec. 17.)

Create within the two main Fare Areas, provided by the Act, such other smaller Fare Areas as in its judgment is required. (Sec. 15.)

Provide for cities or towns, desiring to contribute to the cost of service in order to reduce fares, a statement of the increase in the cost of wages, supply and fuel over the average maintaining for the year ending July 1, 1914, and make such reasonable adjustment of fares in cities and towns making such contributions as seems to it equitable. (Sec. 15.)

Allocate the cost of service as between the different Fare Areas, both those instituted by the Act, and those instituted by itself. (Sec. 15.)

Increase the amount of the Reserve Fund by accretions from the sale of stocks or bonds, if it deems it advisable so to do in order to prevent too frequent fluctuations in fares. (Sec. 17.)

Suspend, during the period of the war and for two years after, with the approval of the Public Service Commission, amortization and depreciation charges. (Sec. 17.)

Provide the period of amortization of discount on bonds authorized by the Act and sold under its authority. (Sec. 7.)

Agree with the purchasers of \$4,000,000 of the \$5,000,000 special issue of serial bonds, authorized by the Act, that if the

earnings of the Company is insufficient to meet the installments of principal, when due, that such installments shall be paid by the State, which acting for the cities and towns served by the Company, shall purchase bonds of a par value sufficient to cover the amount of such payment by the State, and shall hold such bonds on account of the cities and towns, against whom their cost shall be assessed. Bonds so held shall be repurchased as income of Company permits. (Sec. 9.)

WESTERVILLE

The Commission shall:

Approve changes in motive power. (Sec. 3.)

Have power to grant permission for the construction of double track, switches and turnouts, reasonably necessary in the operation of the property. (Sec. 4.)

Establish grades to which the Company shall conform. (Sec. 5.)

In the event that the Company shall within thirty days after the receipt of written notice, fail to perform the work in connection with construction, maintenance or repair road improvements specified in the Grant, proceed with such work, the cost of which shall be charged against the Company and become a lien upon its property and franchise. (Sec. 6.)

Fix and alter schedules, increase and diminish service and establish stops, subject to the provision that service shall not be required to an extent that would affect the Company's ability to earn its fixed return, and subject to the further provision that when the Grant has less than fifteen years to run control passes from the Commissioners to the Company. (Sec. 7.)

Approve, overlapping fare zones proposed by the Company, or proposed overlapping zones to be approved by the Company, in addition to the fixed fare zones provided by the Grant, subject to the reference of their decision to a Board of Arbitration. (Sec. 11.)

Pass upon commuters' rates proposed by the Company. Such rates can be established only if the Commissioners approve. (Sec. 12.)

Lower the rate of fare at any monthly period when the Working Capital shall equal or exceed \$35,000.

Pass upon the apportionment of salaries and other expenses as between the Westerville division, and other portions of the Company's lines, and if of the opinion that such apportionment is unfair, submit the question to a Board of Arbitration. (Sec. 13.)

Propose such Extensions, Betterments and Permanent Improvements, as they believe are required, and pass upon such proposals for the same purpose as may be made by the Company. (Sec. 14.)

If at any time the County, or any governmental division thereof, shall decide to purchase the property, serve six months' notice upon the Company of such intention to purchase. (Sec. 15.)

Have access to the books, records and accounts of the Company, for the purpose of ascertaining all facts in connection with the operation of the property or the carrying out of the provisions of the Grant. (Sec. 16.)

In the event of arbitration, select the arbitrator who shall represent the County on the Board of Arbitration. (Sec. 18.)

DALLAS

The Supervisor is charged with:

The supervision of the construction, maintenance and operation of the Company, subject to City ordinances enacted prior to or after the taking effect of the Grant. (Secs. 3 and 4.) He must keep informed as to all matters in connection with the construction, maintenance and operation of the Company, including the property leased from the Northern Texas Traction Co. (Sec. 1);

The supervision of the expenditures and methods of the Company in regard to contracts for supplies, the employment of labor and other matters, and if he regards such expenditures and methods wasteful he must so notify Company and make suggestions for their correction (Sec. 29);

The supervision of the Company's methods of vouching expenditures and the keeping of accounts; the inspection and auditing of records and accounts; the inspection of the Company's property and its property records (Sec. 11);

The approval or disapproval of the monthly operating and financial statements required of the Company under the terms of the Grant (Sec. 12);

The approval or disapproval (except in the case of Extensions, or of Extensions, Betterments and Improvements submitted by him to the Board of Commissioners) of all requisitions prepared by the Company in reference to Extensions, Betterments and Improvements, whether, in the case of ordinary proposals, submitted before the actual work has begun, or, in the case of emergency construction, submitted after the work (Sec. 97);

The preparation of requisitions for Extensions, Betterments and Improvements, in case that the Company fails to prepare them (Sec. 27);

The checking of all estimates for Extensions, Betterments and Improvements, and the checking of all materials used, labor employed and other cost of the same (Sec. 27);

The decisions as to whether the Company shall be allowed to submit blanket requisitions for Extensions, Betterments and Improvements (Sec. 27);

Papers and records may not be removed from the Dallas office of the Company without the consent of the Supervisor (Sec. 11);

The Supervisor is required to secure from the Company from time to time certified lists of its stockholders (Sec. 11);

The Board of Commissioners

Is in control of the design and equipment of cars, and the kind of improvements to be used thereon (Sec. 10);

Fixes schedules, designates stops and promulgates rules and regulations for the running of cars (Sec. 10);

Regulates method of selling tickets provided for in schedule of rates provided in Grant (Sec. 23);

Passes upon rates proposed by Company for special car and other service (Sec. 23);

Passes upon transfer regulations proposed by the Company (Sec. 23);

Passes upon applications of Interurbans for permission to use Company's tracks, and in case of disagreement as to compensation to be paid therefor, may dissent from award of Arbitration Board and fix a sum, which must be accepted by both parties (Sec. 8);

Passes upon the application of the four interurban Companies which the Grant requires the Company to permit to enter into Terminal and to participate in lease thereof during the first ten years after Grant takes effect irrespective of the effect upon the Company's ability to earn its stipulated return. (Sec. 37.)

Passes upon the application of any interurban to use the Terminal after the expiration of ten years, or the admission of four interurban companies thereto. (Sec. 37.)

May order additions to the facilities of the Terminal. (Sec. 37.)

Must pass upon any proposed changes in Terminal lease; must approve price to be paid for Terminal in the event that it is sold under the option granted to lessees in lease, and the price to be paid for any remaining property in the event of its destruction by fire or other calamity. (Sec. 37.)

Passes upon applications of the Company, or other Companies or individuals in the matter of joint use of poles and fixes compensation. (Sec. 3.)

Must approve any change in motive power. (Sec. 3.)

May authorize the abatement or removal by the Supervisor of any Company building which it deems to be dangerous to life or property, without incurring liability on the part of the City. (Sec. 4.)

Order changes in tracks or wires of the Company, to permit of alterations in location of water pipes and other underground structures. Such changes shall be made without cost to City. In the case of persons or corporations other than the City, compensation for the expenses involved shall be made. (Sec. 5.)

Decides where and when paving shall be done in the streets by the Company, except that the Company may not be required to pave any part of the street unless the full width of the street is to be paved. This authority to order pavement applies to rights of way claimed to be owned by the Company, in the case of which, however, the Company may, in lieu of pavement, construct what is known as "park space." (Sec. 6.)

Shall select sites for power houses, car barns, substations, shops and other buildings which the Company may desire to construct.

After buildings are erected on the sites selected by the Commissioners they shall not be ordered moved by the Commissioners, unless the Company is compensated for the expenses involved. (Sec. 30.)

Must give its approval before the removal to other locations of existing structures. (Sec. 30.)

Must give its approval before track, or service upon track may be abandoned. (Sec. 30.)

May require the removal of tracks from one street to another if conditions of traffic require. No changes in track location may be made without its approval. (Sec. 30.)

May direct the Company to sprinkle streets and fix the compensation therefor. (Sec. 34.)

May permit the carriage of freight and express by the Company. (Sec. 32.)

Supervise and directs the expenditure of the \$1,000,000 which, under the terms of the Grant, the Company agrees to expend for Extensions, Betterments and Improvements, within 18 months after Grant takes effect. (Sec. 28.)

Passes upon all requisitions for Extensions. (Sec. 27.)

Passes upon all requisitions for Extensions, Betterments and Improvements which may be submitted to it by the Supervisor. (Sec. 78.)

May allow or disallow proposals for Extensions, Betterments and Improvements outside of City, except when such Extensions, Betterments and Improvements are required to be made by law. (Sec. 27.)

Shall agree with Company as to designation of any Extensions, Betterments and Improvements which shall be allowed a cumulative return in the event of the purchase of the property by the City or a license of City. (Sec. 40.)

Passes upon the use of proceeds from the sale of abandoned or obsolete property, whether it may be used for Extensions, Betterments, or Improvements or for the reduction of the Company's indebtedness. (Sec. 20.)

Shall act for the City in case of Arbitration demanding arbitration on behalf of the City, appoint the City's Arbitrators and fix the fees of Arbitrators. (Sec. 13.)

Confirms and certifies security issues when requested so to do by the Company. (Sec. 19.)

Shall require the Company to keep its property insured and passes upon the distribution of insurance payments received among the Company's creditors. (Sec. 20.)

May by agreement with the Company revise the provisions of the Grant which fix the "normal condition" of Accident, Surplus and Repairs, Maintenance and Depreciation Reserves. (Sec. 22.)

Decides as to the investment of the money in these reserves. (Sec. 22.)

Passes upon proposals to increase the amount of Working Capital. (Sec. 27.)

Prescribes the manner and time in which depreciation required to be paid upon leased property shall be so paid. (Sec. 46.)

Is authorized, under the conditions prescribed, to declare the Grant forfeit. (Sec. 42.)

Must give its approval before the Grant may be assigned by the Company. (Sec. 44.)

Appoints and removes Supervisor. (Sec. 11.)

Audits bills of Supervisor in connection with the checking of Extensions, Betterments and Improvements. (Sec. 27.)

Shall appoint one of its members to act as *ex-officio*, in case the provisions of the Grant relative to the Supervisor are held to be invalid. (Sec. 43.)

MEMPHIS

The Commission:

May provide the amount of the Renewal and Replacement and the Injuries and Damages Reserves;

Shall modify from time to time as is in its judgment required the method of keeping accounts;

Shall prescribe the standard of service;

Shall approve all additions to or deductions from Capital Value;

Must approve all investments of funds in the Renewal and Replacement Reserve;

Must approve all expenditures from the Renewal and Replacement Reserve;

Must approve all investment of funds in the Injuries and Damage Reserve;

Must approve the amount and determine the method of making payments to the Injuries and Damage Reserve;

May make investigation of the Company's accounts, the service furnished by it, or the character or cost of the service.

Shall consider a traffic survey, which the order provides shall be made if the City so desires and shall base recommendations as to service thereon.

9.—ARBITRATION

(a) Machinery for

CLEVELAND

Disputes connected with accounting methods are arbitrated by the Committee on Standard Classification of Accounts of the American Electric Railway Association. (Sec. 10.)

Disputes arising from the interpretation of the Company's contracts with municipalities, other than the City of Cleveland, are arbitrated by a Board consisting of one representative of the City of Cleveland, one representative of the other municipality affected, and a third to be appointed as provided for general arbitration Boards. (See next below.) (Sec. 29.)

All other arbitrable disputes are submitted to a Board consisting of one representative of the City, one representative of the Company, and a third member to be selected by agreement between the two, or in the event that they are unable to agree, by the United States District Judge for the District in which Cleveland is located, or in the event of his disqualification, or refusal to act, by the United States Circuit Judge for the Cleveland District. The party seeking arbitration, shall notify the other party of the selection of its arbitrator and shall at the same time furnish a statement of the question. If the party so notified does not within ten days appoint its arbitrator, he shall be appointed by the first party. If the third arbitrator is appointed by a United States Judge, such judge shall give at least three days' notice of his selection to both the City and the Company, who may file objections to such selection. A majority of the three arbitrators

decide the questions submitted. Unless the Board unanimously agrees to extend the time, they must render a decision within thirty days from the time of the appointment of the third arbitrator. If the decision is not so rendered, either party at interest may apply to the Federal Judge for the removal of the third arbitrator and the appointment of a new arbitrator. The expenses of arbitrator shall be paid by the Company as an operating expense, unless in any six months, they shall exceed \$5,000, in which case the excess shall be paid from the Interest Fund. (Sec. 11.)

YOUNGSTOWN

Disputes connected with book-keeping and accounting methods shall be arbitrated by the Committee on A Standard Classification of Accounts of the American Electric Railway Accountants' Association, or other persons to whom supervision of accounting methods may be delegated by law. (Sec. 8.)

All other arbitrable disputes shall be arbitrated by a Board of Arbitration consisting of one representative of the City, one representative of the Company and a third to be selected by the two, or in the event of their failure to agree by the United States District Judge for the District in which Youngstown is located; or in the event of such Judge's refusal or disqualification to act, by the United States District Judge of any other District.

The party seeking arbitration shall notify the second party of its selection of an arbitrator and at the same time submit a concise statement of the question to be arbitrated. If the party so notified does not within three days appoint an arbitrator, then on the fourth day, the party seeking arbitration may select the second arbitrator. Within three days after the selection of the second arbitrator, by one of these methods, the two shall select the third. Upon failure to agree, application shall be made to the United States Judge, as explained above, a statement of the matter to be arbitrated, being furnished to the Judge at the time of the application. Five days before making an appointment, the Judge shall notify of his selection both the City and the Company, and either of the parties may file objections. (Sec. 9-A.)

A majority of the three arbitrators shall decide the question submitted. Unless the Board unanimously agrees to extend the time, the Board's decision shall be rendered within 20 days from the date of the appointment of the third arbitrator. Upon failure to agree within 20 days, either party may apply to the District Judge for the removal of the third arbitrator and the appointment of another person in his place. (Sec. 9-A.)

The same question shall not again be submitted to arbitration for a period of three months from the date of the decision of the Board. (Sec. 9-A.)

CINCINNATI

Orders of the Director prescribing service may be objected to by the Companies within ten days of the date of the order. The Director shall give a public hearing upon such objections. His decision after such a hearing shall be final. In case the Company refuses compliance, the City may bring action in a court of competent jurisdiction, and the Company may defend: in the case of orders involving Operating Expenses only on the ground that the Budget allowances are insufficient to enable them to perform their corporate obligations, maintain their organization and perform the duties imposed by the Grant; and, in the case of orders involving Capital Expenditure, only on the ground that it is unable, using due diligence, to secure the necessary capital. (Sec. 8.)

In case the Company refuses to obey the orders of the Director as to bookkeeping and accounting measures the dispute shall be referred to the authorities upon whom the regulation of such matters may from time to time devolve. (Presumably to the Ohio Public Utilities Commission.) (Sec. 8.)

In case of disagreement between the Company and the Director as to the amount of the Annual Budget and the Supplements thereto, the Companies shall choose one Arbitrator and the Director one Arbitrator, within five days of the notice by the Director of his disapproval, or in the event that either party fails to appoint an Arbitrator, the party who has appointed an Arbitrator shall notify the Trustees of the Sinking Fund of the City of Cincinnati, who shall within five days of such notice fill the vacancy. The two so chosen shall within five days appoint a third

Arbitrator, and upon their failure so to do, either party may request the Arbitration Committee of The Cincinnati Chamber of Commerce to make such appointment. The Board thus appointed shall be governed by the rule that the Company shall be allowed sufficient funds to perform its corporate obligations, maintain its organization and perform all duties of operation and maintenance imposed by the Grant. The decision of a majority of the Board shall be final, but if such decision be not rendered within 45 days after the submission of the Annual Budget or Supplement thereto, the expenditures of the Companies shall be in accordance with such Budget or Supplement. (Sec. 8.)

In the event that the Companies and railways seeking the use of their facilities, fail to agree as to the compensation to be charged for such use, or the Director fails to approve of such agreement, and fix the compensation to be paid, the right to use such facilities upon the terms prescribed by the Director, may be enforced by the railway seeking the right, in any court of competent jurisdiction and the Companies may defend upon the grounds that the compensation fixed by the Director does not provide the total cost of such use and a reasonable return upon the investment of the Companies. (Sec. 8.)

If the Companies object to any revision of their rules regulating the issuing of transfers, made by the Director, they may within ten days of the date of the publication of such revision, file objections with the Director. The Director shall then hold a public hearing. His decision after such hearing shall become effective at the time specified in the decision. (Sec. 8.)

Objections to schedules of charges for the carriage of freight, express matter and packages filed with the Director by the Companies, may be made by any person, firm or corporation interested. Within 30 days after the Companies have been served by the Director with notices of such objection, the Director shall hold a public hearing thereon. His decision, after this hearing shall become effective at the end of 30 days, unless the Companies shall file objections with the Director and begin proceedings in a court of competent jurisdiction on the grounds that the rates fixed by the Director are unreasonable. (Sec. 20.)

BOSTON

No provision is made for arbitration. In the event that the Trustees desire to make extensions to, construct, or purchase surface lines, beyond the limits of existing lines and the Board of Directors of the Company refuses consent, on the ground that it entails rentals, or other obligations, upon the Company after the period of public management and control, the Trustees are required to hold a public hearing. After such hearing they may, however, decide that public necessity and convenience requires the construction of the proposed line, under which circumstances they may proceed with its extension, construction or purchase, despite the failure of the Board of Directors to consent. (Sec. 3.)

MASSACHUSETTS (General)

If a majority of the State Directors of a Company believe that a particular order or decision of the Public Service Commission, would impair the ability to pay the six per cent return on its stock investment, they shall so advise the Public Service Commission, and if after reconsideration, the Commission persists in its order, the Company may apply to the Supreme Judicial Court of the State, for a reversal or a modification of the order or regulation. The Court may appoint three commissioners to determine the facts and questions at issue, and their report, when confirmed by the Court, shall be final. (Sec. 14.)

MONTREAL

The right of appeal to the Quebec Public Utilities Commission, from any decision of the Commission on any question of law or jurisdiction, lies with any party to the agreement, the Company, City, or any municipal corporation interested. Decisions affecting the following matters are specifically subject to appeal: the expenses of the Commission to be paid by the Company for payment; agreements relating to the use of tracks and facilities by other companies and the connection with tracks of other companies; the adoption or improvements and betterments to track, rolling stock and other equipment; modifications, additions, reconstructions, alterations and repairs to pavements, rolling stock and other things pertaining to the system ordered by

the Commission, when the expenditure involved is more than \$50,000; the Commission's decision as to the time in which specific additions and extensions provided for in the agreement shall be made; orders of the Commission requiring the Company to build and operate new lines; Commission decisions involving contracts made by the Company when the expenditure is more than \$50,000; decisions of the Commission as to passenger tariffs; decisions of the Commission involving freight tariffs; decisions of the Commission requiring materials used by the Company to be manufactured in Company shops within the limits of the City of Montreal; decisions of the Commission affecting the guarantee fund, the disposition of gross revenues, the fixing of operating and maintenance allowances and the permissible average density of traffic per car-mile, the maintenance and renewals fund; the return upon capital value, the contingent reserve fund, the division of surplus, the infliction of penalties. (Art. 15.)

Notice of every appealable decision must be given by the Commission without delay, to the City, Company and to any other party in the case, by serving a copy of such decision either by registered mail or by a bailiff of the Superior Court (Art. 11); appeal shall be made within 15 days of the serving of such notice. (Art. 15.)

EASTERN MASSACHUSETTS

While there is no specific provision for arbitration, the Act provides that in case the Board of Directors refuses to give its consent to contracts for the construction, acquisition, rental or operation of new lines, or the extension, sale or lease of existing lines, the Public Service Commission shall decide, whether such action is dictated by public convenience and necessity, and whether the return on the securities authorized by the Act is impaired. If the Company disagrees with the decision of the Commission, it may appeal to the State Supreme Judicial Court. (Sec. 12.)

Moreover, the State Supreme Judicial Court has jurisdiction to review, annul, modify, amend or enforce rulings, or orders of the Trustees, to the same extent that it has jurisdiction over the orders and rulings of the Public Service Commission. (Sec. 22.)

WESTERVILLE

In the event of a dispute between the Commissioners and the Company involving a matter which may be legally arbitrated, either party desiring arbitration shall serve notice in writing upon the other party, stating the question upon which arbitration is desired and naming its representative upon the Arbitration Board. Within ten days thereafter, the party so notified shall name its representative upon the Board and so notify the first party. Within ten days after the appointment of the second arbitrator, the two arbitrators thus selected shall agree upon the third member of the Board. If they shall within ten days fail to agree, or if either party shall fail or refuse to name an arbitrator, either may apply to a judge of the Court of Appeals of Franklin County, and such judge shall have power to designate such arbitrator, provided that the party making the application must give not less than five days' notice to the other party, and if this party be in default, it may within the five days name an arbitrator, as originally entitled.

DALLAS

In the event of disagreement as to any of the matters covered by the Grant which may be lawfully arbitrated and which are not excluded from arbitration by the terms of the Grant, either the City or the Company may demand arbitration. The party so demanding arbitration shall notify the opposing party, giving the name of an arbitrator selected by it, and a statement of the matter upon which arbitration is desired. Within fifteen days after such notice, the party so notified shall select and notify the other party of the selection of its arbitrator. If it shall not so select and notify within the fifteen days, the first party may name the second arbitrator. Within fifteen days after the selection of the second arbitrator, the two shall select the third arbitrator. If they are unable to agree, either party may apply to the Chief Justice of the Supreme Court of Texas, stating the matter to be arbitrated and notifying the other party to the arbitration. In the event of the disqualification, absence from the State or failure to act of the Chief Justice, application may be made in the same manner to the Associate Justices of the Supreme Court in

the order of their seniority; in the event of disqualification, etc., to the Chief Justice of the Court of Civil Appeals for the Fifth Supreme Judicial District of Texas; in the event of his disqualification, etc., to the Associate Justices of said Court in order of seniority; in the event of their disqualification, etc., to the Judges of the District Courts of Dallas County, in the order of their seniority, and in the event of their disqualification, etc., to the Judge of any District Court of Texas. (Sec. 13.)

The arbitrators shall be persons of skill and ability in the matter to be arbitrated and not pecuniarily interested. The third arbitrator, unless selected by the other two, shall not be a resident of Dallas. In the event that the matter submitted for arbitration involves the legal interpretation of the Grant, the arbitrators selected shall be attorneys entitled to practice in the Courts of Texas. (Sec. 13.)

If during the course of an arbitration, there shall arise questions involving the legal interpretation of the Grant, such arbitration shall be suspended until the legal question shall be decided in the manner provided in the Grant (i. e., by arbitration). (Sec. 13.)

Before making appointment of the third arbitrator, the Judge making such appointment shall give ten days' notice to both parties of his selection, and either party shall have the right to object to such selection. (Sec. 13.)

Before entering upon their duties, arbitrators shall take oath before a Notary Public to faithfully and impartially perform the duties of their office. (Sec. 13.)

In the event of the death, disqualification, or failure to act of an Arbitrator, another shall be appointed within 30 days from the date of such event, in the manner prescribed for the original appointment. (Sec. 13.)

Unless the time shall be extended by unanimous agreement, the Board of Arbitration shall announce its decision, within 30 days of the date of the appointment of the third Arbitrator, failing to do so, the third Arbitrator shall *ipso facto* cease to be a member of the Board, and a new third arbitrator shall be appointed in the manner provided. (Sec. 13.)

The lease, which by the terms of the Grant, the Company is authorized to make such interurban companies, using the Terminal, the purchase of which is also authorized by the Grant, contains provision for the arbitration of matters arising under its terms, and the Grant designates certain matters to be thus arbitrated. The following matters are thus provided for:

The price to be paid for the Terminal by any Lessee exercising its option to purchase thereunder. Such arbitration to be conducted in the manner provided in the lease, and the Company to select as its Arbitrator, such person as may be selected by the City. (Sec. 37.)

MEMPHIS

No provisions.

(b) Powers of Arbitration Authorities

CLEVELAND

The Board is empowered to determine all questions arising between the City and the Company, except those expressly exempted by the terms of the Grant. (Sec. 12.)

Such exemptions are:

Questions affecting the right of the City to control service, and the fixing of schedules or routes, except where the Company alleges that the City requirements would jeopardize the return to the Company, even under the highest rate of fare provided in the Grant. (Sec. 9.)

The right to include certain expenditures for the extension, betterment and improvement of suburban lines, which is to be determined by agreement between the City and the Company. (Sec. 29.)

In addition to the general subjects for arbitration it is specifically provided for in the following cases:

When the Company claims that it cannot provide the service required by the City under the highest rate of fare provided in the Grant, without jeopardizing return. (Sec. 9.)

When the Company claims additional car-mile allowance for the operation of rush hour service. (Sec. 18.)

In the event of a dispute over the necessity of increasing or decreasing the Operating Allowance. (Sec. 19.)

In the event of a dispute over the necessity of increasing or decreasing the Maintenance, Renewals and Replacement Allowance. (Sec. 19.)

In the event of a dispute as to the necessity of increasing or decreasing the rate of fare, otherwise than provided in the Grant. (Sec. 23.)

In the event of a dispute as to proper charges against "extensions, betterments and permanent improvements." (Sec. 26.)

In the event as to a dispute as to whether extensions, betterments and permanent improvements proposed, can be made without jeopardizing Company's return, or a dispute as to the ability of the Company to raise the capital required for such purpose. (Sec. 27.)

In the event of a dispute as to whether the methods and practices of the Company in the collection of revenue and in the granting of free transportation is wasteful. (Sec. 30.)

YOUNGSTOWN

All matters affecting the Grant, not especially excluded from arbitration by the terms of the Grant, may be arbitrated. (Sec. 9.) The exclusions are:

The sum fixed as Capital Value and the addition of the items provided by the terms of the grant. (Sec. 9.)

The rate of return allowed to the Company under the terms of the grant. (Sec. 9.)

The method of accounting, arbitration of which is provided for otherwise. (Sec. 9.)

The right of the City to prescribe the service, except where it is claimed that any rate of fare provided in the grant will not cover the cost of the service demanded. (Sec. 9.)

The question of putting in force intermediate rates of fare not provided by the grant, which may only be done by agreement between the City and the Company. (Sec. 14.)

The duty of the Company to expend within a period of five years, the sum of \$750,000 for Extensions, Betterments and Permanent Improvements. (Sec. 15-C.)

The arbitration of the following matters is specifically provided for:

Disagreement as to whether service prescribed by the City will interfere with the rate of fare in effect, or any higher rate provided in the grant. (Sec. 6.)

The amount of the Operating Allowance. (Sec. 11-A.)

The amount charged as rental for the Company's Offices in the building of the Mahoning & Shenango Railway & Light Co. (Sec. 11-C.)

The proportion of the salaries of Officers of the Mahoning & Shenango Railway & Light Co., to be charged to the City system. (Sec. 11-Da.)

The allocation of damages as between interurban and suburban lines and the City System, when interurban and suburban cars are operated over the City tracks. (Sec. 11-E.)

The amount of the Maintenance, Repair and Renewal Allowance. (Sec. 12-A.)

Charges to the Maintenance, Repair and Renewal Account. (Sec. 12-A.)

Disputes as to methods of fare collection, purchase of materials and supplies and compensation of employees. (Sec. 14-A.)

Disputes as to what expenditures of the Company are to be charged as Betterments, Extensions and Permanent Improvements. (Sec. 15.)

Claims by the Company that Betterments, Extensions and Improvements proposed by the City, will impair the ability of the Company to earn the return stipulated in the Grant, or that it is unable to finance such, Betterment, etc., at the rate of return allowed by the City. (Sec. 15-C.)

Disputes as to rates of fare to be charged, or salvage to be allowed when Grant has less than 15 years to run. (Sec. 18.)

Disputes as to the allocation of funds in Amortization Fund, as between reduction in Capital Value and Betterments, Extensions and Permanent Improvements, in the event that an extension of the Grant shall be made after the accumulation of an Amortization Fund, under the provisions of the Grant applying when the Grant has less than 15 years to run. (Sec. 18.)

CINCINNATI

See Cincinnati C-7-(a).

BOSTON

No Arbitration Boards provided for.

MASSACHUSETTS (General)

See Massachusetts (General) C-7-(a).

MONTREAL

The decision of the Quebec Public Utilities Commission in all matters except that of law is final. (Art. 15.)

The Quebec Public Utilities Commission may confirm, reverse or modify the decision of the Commission on appeal, and render such decision as should, in its opinion, have been rendered by the Commission. (Art. 15.)

When an appeal is not authorized under the agreement, or when an appeal is authorized but not lodged, if the Company neglects or refuses to comply with the decision of the Commission, the latter shall report to the Quebec Public Utilities Commission, which shall take any measure it may deem necessary to carry out the order of the Commission, in the same manner as if the decision had been given by the Quebec Public Utilities Commission. (Art. 20.)

See C-7-(b)-2.

EASTERN MASSACHUSETTS

No Arbitration Boards provided for.

WESTERVILLE

A majority of the three arbitrators has power to decide the question submitted. A decision must be rendered within thirty days, unless there is unanimous agreement to an extension. The decision of the Board is binding upon both parties. (Sec. 18.)

Specific provision is made for the submission of questions to arbitration as follows:

Disagreement as to the institution, or limits of the overlapping fare zones provided for by the Grant. (Sec. 11.)

The proportion of salaries and general expenses of the Company to be charged to the operation of the Westerville division, covered by the Grant. (Sec. 13.)

The question as to whether the Company is able to finance Extensions, Betterments and Permanent Improvements, proposed by the Commission, or whether such Extensions, Betterments and Permanent Improvements, will impair the ability of the Company to earn its fixed return. (Sec. 14.)

DALLAS

Questions submitted shall be decided by a majority of the Board of Arbitration. (Sec. 13.)

The Board shall have the power to fix dates for hearing; to prescribe rules for procedure, and to say when and how testimony of witnesses shall be taken, except that either party to the arbitration, may upon notice, take evidence of witnesses either within or without the State by oral or written interrogatories, and the procedure for such interrogatories shall follow as closely as possible that prescribed by the laws of Texas. (Sec. 13.)

Subject to the limitations contained in the Grant, all questions of every kind, character and description arising between the City and the Company in carrying out the provisions of the Grant "or in the exercise by the City or the Grantee of any of its authorized powers and whether or not expressly committed to determination by arbitration by the provisions of this ordinance shall be subject to arbitration under the provisions hereof except, however, matters relating directly to the police powers of the city which shall not be abridged by anything herein contained." (Sec. 14.)

The findings of a Board of Arbitration, except as to service and extensions, which decisions are subject to the provisions of the ordinance, shall be final and binding on both parties. (Sec. 14.)

The finding invalid of any provision of the Grant, relative to arbitration, shall not affect any other provision of the Grant relative to arbitration. (Sec. 14.)

If any of the subjects designated for arbitration are found to be improper subjects therefor, the Commissioners retain the

authority over such matters prescribed by the City Charter, and the Company is entitled to apply for review to the Courts. (Sec. 14.)

The Board of Arbitration shall have the power in any order filed by it to fix or change the time any requirement thereof shall be performed. (Sec. 16.)

The following matters are specifically excluded from arbitration:

The decision of the Board of Commissioners as to the amount to be added to property value on account of the purchase or acquisition by the Company of the property of any other railway company. (Sec. 2.)

Requirements of the Board of Commissioners, under the Grant, as to grading and paving. (Sec. 6.)

Refusal of the Board of Commissioners to allow proceeds from the sale of property to be applied to the reduction of indebtedness. (Sec. 20.)

Refusal of the Board of Commissioners to allow the Company to pay to creditors, monies received on account of insurance covering losses. (Sec. 20.)

Order of the Board of Commissioners requiring the removal of tracks in the so-called "Fair Park Terminal." (Sec. 30.)

Order of the Board of Commissioners as to the use of the Terminal by at least four interurbans, within the ten years next after the taking effect of the Grant. (Sec. 37.)

An order of the Board of Commissioners, requiring the Company to return to the method and basis of selling tickets provided in the Grant, after a change has been made in such basis and method by agreement between the Commissioners and the Company. (Sec. 24.)

Arbitration is specifically provided for as to the following matters:

The amount of compensation to be paid the Company for the use of its tracks by interurban railways entering the City, with the permission of the Board of Commissioners. In this case, the interurban is substituted for the City as a party to the arbitration, and the award of the Board of Arbitration is subject to review by

the Board of Commissioners, which may finally fix the compensation to be paid. (Sec. 8.)

The jeopardization of the Company's ability to earn, under the highest fare allowable, the return stipulated in the Grant, by requirements of the Board of Commissioners as to Service. The provision for arbitration does not, however, bar the City's right to require service under the provisions of the Dallas City charter. (Sec. 10.)

The jeopardization of the Company's ability to earn, under the highest fare allowable, the return stipulated in the Grant, by requirements of the Board of Commissioners, or Supervisors as to the making of Extensions, Betterments and Improvements. (Sec. 27.)

The propriety of work done in the way of Extensions, Betterments and Improvements, under the Emergency provisions of the Grant. (Sec. 27.)

The action of the Board of Commissioners upon proposals of the Company for increase of working Capital. (Sec. 28.)

Disagreement with the Supervisor, as to wastefulness in expenditures or methods, or the means suggested by the Supervisor for the correction of such methods. (Sec. 29.)

Orders of the Commission requiring the change of tracks from one street to another. (Sec. 30.)

The question as to whether the cost of removing tracks in the so-called "Fair Park Terminal" shall be added to Capital Value. (Sec. 30.)

The question as to whether the admission of any new inter-urban, other than the four whose admission is required by the terms of the Grant within ten years, will overcrowd the Terminal, and as to whether the provision of facilities to prevent such overcrowding will jeopardize the ability of the Company to earn the return stipulated in the Grant, under the highest fare allowable. (Sec. 37.)

The allocation of the value of property outside the city, which the City may not have legal authority to buy, in case of the purchase by the City of the property of the Company. (Sec. 38)

Orders of the Commission requiring the furnishing of additional facilities in connection with the Terminal. (Sec. 37.)

MEMPHIS

No provisions.

(c) Penalties

CLEVELAND

In the event of the failure of the Company to abide by the decision of a Board of Arbitration, or to carry out the orders of such Board, the return upon the stock of the Company may be reduced, but not more than one per cent, until such time as the Company, shall have in the opinion of the Board, carried out its orders. (Sec. 14.)

YOUNGSTOWN

Upon failure of the Company to fulfill the award of a Board of Arbitration, the rate of return allowed to the Company shall be reduced in such amount as the Board may decide, but not to exceed one per cent. In the event of the failure of the City to comply with the award of the Board, such rate shall be increased in such amount as the Board may decide, but not to exceed one per cent. Such increase or decrease shall continue in force until the Board shall have decided that its award is being complied with. (Sec. 9-E.)

CINCINNATI

No provision except as specified in C. 7 (a).

BOSTON

No arbitration Board provided for.

MASSACHUSETTS (General)

No provisions.

MONTREAL

For failure to conform to the decisions, or for infringement of the orders of the Commission, the Company is liable to a fine of \$40 a day, and, in the discretion of the Recorder's Court of Montreal in which such penalty is to be recovered in the manner provided for, the collection of other fines imposed by municipal ordinances, to the payment of costs, for each and every day during which it shall fail to conform or continue the infringement of

orders. In the case of infractions within the City limits, suits may be brought by the City or any officer thereof, and the fines so collected become the property of the City. In the case of infractions outside of City limits, suits may be brought by the municipalities affected, or by their officers, before any court of competent jurisdiction and the fines so collected become the property of the municipality (Art. 96). Fines levied against the Company are paid from the guarantee fund (see H-2) (Art. 92).

If the provisions of the contract are infringed, by any person other than the Company, such person shall be liable to a fine of \$40, or in the event that the fine is not paid to imprisonment, until it be paid, but for not more than 30 days. If the offense be committed within the City limits, the fine becomes the property of the City; if committed outside the City limits, it becomes the property of the municipality in which the offense is committed. The method of its collection is the same as in the case of an offense by the Company. (Art. 97.)

No action for the recovery of a fine against a person other than the Company may be brought after the expiration of six months after the date of the offense. (Art. 97.)

EASTERN MASSACHUSETTS

No Arbitration Board provided for.

WESTERVILLE

No penalties provided.

DALLAS

Upon the failure of the Company to comply with the terms of any award made by a Board of Arbitration, such Board may, as a penalty, reduce the rate of return, which the Company is under the terms of the Grant entitled to earn upon its Property Value, in any amount, not exceeding 1 per cent, per annum of the Property Value, and such diminution in the rate of return shall continue, until the award has been complied with, or until modified or vacated by the Board. Whatever the number of co-existent defaults may be, the penalty shall not exceed the limit prescribed. For the purpose of seeing that its awards are complied with, or to modify, or vacate its orders, the jurisdiction

of the Board of Arbitration shall continue, until all matters arising from its award shall have been disposed of. In the case of a vacancy, it shall be filled in the manner provided for constituting an original Board. (Sec. 11.)

MEMPHIS

No provisions.

(d) Expenses of Arbitration

CLEVELAND

Paid as part of cost of service.

YOUNGSTOWN

The expenses of arbitration shall be fixed by the Board and charged to Operating Cost, except that any expenses in excess of \$1,000 for any six months' period shall be paid from the Stabilizing Fund. (Sec. 9-B.)

CINCINNATI

The expenses of each arbitration shall be fixed by the arbitrators in their decision and shall be included as an item in the Budget or Supplementary Estimate and be paid by the operating company from the gross receipts. (Sec. 8.)

BOSTON

No Arbitration Board provided for.

MASSACHUSETTS (General)

No provisions.

MONTREAL

No provision is made for the expenses of arbitration, such provision being unnecessary because no special arbitration boards are provided for.

EASTERN MASSACHUSETTS

No Arbitration Board provided for.

WESTERVILLE

Expenses of arbitration shall be fixed by the Arbitration Board and charged as an operating expense. (Sec. 18.)

DALLAS

All expenses of arbitration including the fees of Arbitrators, which shall be fixed by the Board of Commissioners, shall be presented by the Arbitrators in their award and paid (except as to expenses of arbitrations involving Extensions, Betterments and Improvements to be paid as a cost of the same) from Operating Expenses. (Secs. 13 and 27.)

MEMPHIS

No provisions.

D. RETURN**1.—INITIAL VALUE**

CLEVELAND

The initial capital value was fixed by agreement. (Forty-five per cent of the par value of the outstanding stock was wiped out by the settlement.) It consisted of

- (a) The bonded indebtedness of the company.
- (b) The floating indebtedness of the company and certain specified obligations of underlying companies, and the sum of \$500,000, contributed to the Interest Fund.
- (c) Such remaining amount as brought the total to the agreed-upon initial value. (Sec. 16.)

YOUNGSTOWN

The Initial Capital Value was fixed by agreement. In general the property included is that used for the operation of the City System, including the Company's Haselton Shops, located in East Youngstown. The Company's City Power is included, as well as the steam heating plant, and the direct current distribution lines. Arrangement for interchange of current between the Company's Youngstown power house and its power houses outside the city, as well as for the furnishing of steam for the steam heating lines, is provided for as previously explained.

The value of this property is placed at \$3,900,000. (Sec. 10.)

In addition the following amounts were added to Initial Capital Value:

The value of the stores, an inventory of which having been furnished by the Company, the Commissioner decided were necessary to the administration of the property; the sum of \$100,000 set up as a Stabilizing Fund; the sum of \$50,000 to be used in payment of claims and judgments arising before the taking effect of the Grant, and the sum of \$50,000 to be used in payment of increased wages, from September 1, 1918, until the ordinance became effective. (Sec. 10.)

NOTE.—The total valuation of the property as allowed by the city and on which the company is to get a certain return is \$4,370,480.37, the car mileage being 58.87 miles.

CINCINNATI

No specific value for purposes of allowing return is placed upon the property by the terms of the Grant. Certain rentals, and other returns are allowed, which amount to approximately six per cent on a value of \$30,000,000, which is practically the amount of a tentative valuation made in 1916, plus the capital put into the property after that date.

BOSTON

No initial value is fixed. The act provides for the payment of rentals, interest on all indebtedness, fixed dividends on preferred stock, and dividends on common stock at stipulated rates. The capitalization of the Company at the time of the taking effect of the act was thus recognized. (Sec. 6.)

MASSACHUSETTS (General)

The Initial Value of the property upon which return is to be allowed is fixed by the Public Service Commission in accordance with the provisions of the Act. "Capital Investment" is defined as "the amount of cash or fair value of the property paid in for stocks, bonds and other evidences of funded indebtedness and properly expended for capital purposes," as determined by the Commission. It is, however, provided "that if the Commission has heretofore approved the issue of any such securities, no further determination in regard to the 'Capital Investment' represented by such securities shall be necessary." (Sec. 2.)

In addition, before the Company can secure the benefits of the Act, its unfunded debt must be passed upon by the Commission. Interest upon that portion of the unfunded debt, allowed by the Commission, is to be considered as a part of the cost of service. Interest upon that portion disallowed by the Commission must be paid from the return allowed upon the "Stock Investment." (Sec. 4.)

MONTREAL

The initial value of the property is fixed at \$36,286,295, as of June 30, 1917; being the sum found by a valuation made by L. A. Herdt, D. W. Ogilvie and A. H. Lapierre. (Art. 1, d, e.)

EASTERN MASSACHUSETTS

The Act authorizes the organization of a new Company to take over the property of the Bay State Street Railway Co. (The New Company is called the Eastern Massachusetts Streets Railway Co.) For the purpose of this purchase, the New Company is authorized to issue stocks, bonds and other evidences of indebtedness in such amount as will represent a capital, bearing an annual interest and dividend charge (dividends on common stock being computed at six per cent), not in excess of six per cent or \$42,282,340 (which is the investment value placed upon the property by the Public Service Commission, as of August 1, 1916), and, in addition, such further amounts as the Public Service Commission determines, were added to the property in the way of betterments and improvements between August 1, 1916, and the date of purchase, except that additions and improvements paid for from the proceeds of Receiver's certificates, provisions for the retirement of which are made by the Act, shall not be so included, while the value of property sold or disposed of by the Receiver before the organization shall be deducted. The Public Service Commission is further directed to adjust Initial Capital Value, so that rentals paid by the Company, for the lease of lines not owned by it, shall represent the present value of such properties on a six per cent basis. (Sec. 4.)

WESTERVILLE

The value of the property coming under the terms of the Grant is fixed by agreement and the Grant at \$350,000. This is exclusive of Minerva Park, and embraces but 15 per cent of the value of roadbed, track and overhead distribution system and equipment between 17th Avenue in the City of Columbus and the North Corporation line of the Village of Linden Heights as it was constituted at the time of the passage of the Grant. For the first ten years of the Grant, the Company waives right to earn interest on \$75,000 of this \$350,000 Initial Value. (Sec. 12.)

DALLAS

The Initial Property Value fixed for the purpose of determining fares and purchase price, was by the terms of the Grant placed at \$4,100,000, exclusive of the value of the property leased from the Northern Texas Traction Company and the property to be acquired from the Dallas Interurban Terminal Association. (Sec. 18.)

MEMPHIS

The order of the State Railroad and Public Utilities Commission, fixes the initial "investment" as of July 1, 1919, upon which a return is to be allowed at \$11,846,034. Engineers employed by the Commission, the City and the Company agreed upon \$9,305,042 as the value of the physical property, overhead, working capital and cost of financing. There was disagreement as to the cost of development, and the value to be allowed for superceded property. The final figure represents the judgment of the Commission after a consideration of the reports of the engineers representing the three different interests.

2.—ADDED VALUE

CLEVELAND

Additions to capital value, consist of the par value of bonds and stocks, issued and sold with the approval of the City, for extensions, betterments and permanent improvements. (Sec. 17.)

YOUNGSTOWN

The par value of stocks and bonds sold, or debts created, with the approval of the City, for new lines, tracks, cars, buildings,

lands or construction of any kind, Extensions, Betterments and Permanent Improvements shall be added to Capital Value. (Sec. 10-B.)

If bonds or stock are sold at a premium, such premium shall not be added to Capital Value. (Sec. 10-B.)

The expense incident to the floating of new capital shall be added to Operating Cost. (Sec. 10-B.)

The cost of paving, necessitated by the extension of the system. (Sec. 5.)

Seventy-five per cent of the cost of rebuilding certain new cars as provided by the Grant. (Sec. 15-A.)

CINCINNATI

No provision is made for added value, other than the provisions covering the amount of return to be allowed upon securities issued by the Company, with the approval of the City, after the date when the Grant became effective.

BOSTON

No provision is made for added value. The Trustees have the power to issue stocks, bonds and other evidences of indebtedness and may fix the rate of return thereon, excepting that the return on common stock is limited by the provisions of section 6. (Sec. D. 4, Return on Common Stock.) (Sec. 3.)

MASSACHUSETTS (General)

There is no direct provision covering added value. Under existing laws, the Commission has complete control over the issuance of securities by electric railways, and it is to be presumed that added value will consist of the amount of such securities as are issued with the approval of the Commission.

In addition, the Commission is directed to pass upon the unfounded debt of the Company, and interest as a part of the cost of service is allowed only upon that portion, which has the approval of the Commission. (Sec. 4.)

MONTREAL

There shall be added to initial value (known as Capital Value), from time to time, such money, except that payable from the

Maintenance and Renewals Fund, as shall be supplied by the company, and expended under the supervision of the Commission, for betterments, additions and extensions of plant, required by the contract, or approved by the Commission, together with net interest during construction. (Art. 92; Par. 3.)

The amount, as ascertained by the Commission, expended by the Company for physical assets added to its system between December 31, 1917, and the date that the contract became effective. (Art. 92; Par. 3.)

Such working capital as is required by the Commission and furnished by the Company. (Art. 92; Par. 3.)

Money furnished by the Company, to make up the difference between the actual cost and the reproduction cost of any unit or article replaced, or for which a substitute is provided. (Art. 92; Par. 2.)

EASTERN MASSACHUSETTS

The New Company is authorized to issue \$5,000,000 of serial bonds, secured by a mortgage of the entire property, subject only to certain mortgages securing the bonds of companies purchased by, or consolidated with the Bay State Street Railway Company. Such mortgage may further cover property to be acquired by the Company, with the exception that additional property may be acquired subject first to purchase money mortgages, conditional sale agreements and equipment trusts. The annual installments of such serial bonds, shall constitute a lien upon any surplus of the New Company, applicable to dividends. (Sec. 5.)

To the extent that revenue applicable to dividends is used in payment of installments on the serial bonds, or other evidences of indebtedness, it shall be capitalized, stock at par to be issued to the stockholders to take the place of bonds and other evidences of indebtedness, to the extent that revenues applicable to dividends were used in retiring such securities. (Sec. 6.)

The expenses of the organization of the New Company and of transferring the property of the old company to the new shall be capitalized to the extent approved by the Trustees and the Public Service Commission, providing that such expenses shall be amortized within fifteen years from the date when they were incurred. (Sec. 6.)

The Trustees are further authorized, with the approval of the Public Service Commission, to issue such bonds, stocks and other evidences of indebtedness, as may be necessary to provide for extensions, improvements and betterments (Sec. 13), and upon the securities thus issued are directed to pay a return. (Sec. 14.)

WESTERVILLE

The sum of \$25,000 to be used as Working Capital is added to Initial Value. (Sees. 12 and 13.)

Sums invested for Extensions, Betterments and Permanent Improvements, "including highway improvements, equipment and other investments properly chargeable to Capital Account." (Sec. 12.)

DALLAS

Under the Grant, the Company was to lease certain property of the Northern Texas Traction Co. and to purchase the property of the Dallas Interurban Terminal Association. Accordingly, provision was made for the addition to Property Value of the following items:

Item 1:

(a) One Hundred Thousand dollars of working capital provided by the Company;

(b) Sums expended in organizing the new Company, as determined by the Board of Commissioners and exclusive of the cost of acquiring the money;

(c) Sums expended on account of Extensions, Betterments and Improvements, subsequent to September 30, 1915. (The date of the original valuation);

(d) The cost of Extensions (as distinguished from Betterments and Improvements) made to the property of the Northern Texas Traction Co.;

(e) Additions to Working Capital authorized by the Board of Commissioners. (Sec. 18.)

Item 2:

(a) \$1,301,516, being the value as of September 30, 1916 of the Terminal of the Dallas Interurban Terminal Association to

the extent that the property had been paid for on that date by the Terminal Association;

(b) Payments made on account of construction by the Dallas Terminal Association, subsequent to September 30, 1916;

(c) Payments on account of Extensions, Betterments and Improvements to the terminal. (Sec. 18.)

Item 3:

(a) \$1,665,697.14, being the value of the property leased from the Northern Texas Traction, as of September 30, 1915. (Sec. 18.)

Item 4:

(a) The cost of completing the viaduct over the Trinity river and bottomlands, the completion of which is provided for in the lease between the Company and the Northern Texas Traction Co. (Sec. 18.)

Item 5:

(a) All sums expended by the Northern Texas Traction Co., subsequent to September 30, 1915, for the Betterment and Improvement (as distinguished from Extensions) of property leased to the Company;

(b) All sums expended by the Northern Texas Traction Co., for the construction of the Trinity River viaduct, on or before September 30, 1916;

(c) All sums expended by the Company for Betterments and Improvements (as distinguished from Extensions) to the property leased from the Northern Texas Traction Co. (Sec. 18.)

Item 6:

(a) The difference between the cost of obsolete or worn out property (cost to be reckoned as cost new at the time of replacement) and the cost of the property with which it is replaced, should such cost be in excess. (Sec. 26.)

(b) In the case of obsolete and worn out property, acquired previous to September 30, 1915, and replaced within two and one-half years from the date when Grant took effect, the difference between the value of such property as of September 30, 1915 and the cost of the property with which it was replaced. (Sec. 26.)

(c) The total amount of expenditures made under the provisions of the Grant requiring the Company to expend \$1,000,000 in Extensions, Betterments and Improvements within 18 months after the taking effect of the Grant. (Sec. 28.)

(d) The cost of moving tracks from one street to another, when ordered by the Board of Commissioners, and if the Board of Commissioners agree, or a Board of Arbitration shall order it. (Sec. 30.)

(e) The cost of removing tracks from "Fair Park Terminal." (Sec. 30.)

(f) Any items of Property Value covering the property of the Northern Texas Traction Co., which may have been deducted from Property Value, because of the termination of the lease, shall be restored in the event that the lease is renewed. (Sec. 36.)

MEMPHIS

The amounts to be added to Initial Value from time to time in order to ascertain the basis of return, is determined in accordance with accounting methods to be prescribed by the Commission. For the present the I. C. C. Classification of Accounts is in use.

3.—DEDUCTIONS FROM VALUE

CLEVELAND

From the Capital Value shall be deducted all the proceeds received from the sale of property included in capital value, except such portion as is used in the making of extensions, betterments, or permanent improvements, or deposited with trustees to secure mortgages. (Sec. 17.)

YOUNGSTOWN

Proceeds from the sale of property included in Capital Value, unless used for Extensions, Betterments and Permanent Improvements, shall be deducted from Capital Value. (Sec. 10-D.)

If any property included in Capital Value be sold for or superseded by property of less cost, the difference shall be paid from the Maintenance, Repair and Renewal Account over such a period as may be agreed upon by the City and the Company, the amount to be amortized before the date for the expiration of the Grant.

If the amount so received shall be used for any other purpose than Extensions, Betterments and Permanent Improvements, it shall be deducted from Capital Value. (Sec. 10-D.)

There shall be no revaluation of the Company's property. (Sec. 10-E.)

CINCINNATI

No provisions are made for deductions from value. Through the operation of certain sinking funds, values upon which return is allowed automatically decrease.

BOSTON

No provisions.

MASSACHUSETTS (General)

"The Commission may order any Company accepting this Act to dispose of any property no longer of service to the Company. Any loss thereby incurred may be distributed over a period not exceeding ten years, as provided for in Section four, Part II, of Chapter three hundred and seventy-three of the Special Acts of Nineteen Hundred and Seventeen." (Sec. 13.)

MONTREAL

Proceeds from the sale of abandoned or obsolete property except real estate, sold, listed in the schedule upon which initial value is based, if not paid into the Maintenance and Renewals Fund, with the consent of the Trustees for the bondholders of the Company, shall be deducted from Capital Value. (Art. 92; Par. 2.)

The proceeds from land and buildings sold shall be deducted from Capital Value. (Art. 92; Par. 2.)

The Company is required within five years from the coming into effect of the Agreement to sell certain specified real estate covered in the schedule upon which Initial Value was based, and the selling price is to be deducted from Capital Value. If, within the five years, this is not done, the value of such real estate as shown in the schedule shall be deducted from Capital Value. (Art. 90.)

EASTERN MASSACHUSETTS

No provisions other than as stated under added value. The rule laid down by the Massachusetts Public Service Commission, is

that investment shall fix the value of electric railway properties and this investment is represented by the outstanding securities. As these securities are retired, the value decreases.

WESTERVILLE

The fair value of all property withdrawn from the public use.
(Sec. 12.)

DALLAS

A sum equal to the proceeds of property sold, if applied, with the consent of the Board of Commissioners, to the reduction of the Company's indebtedness, shall be deducted from Property Value. If the price received for property so sold shall be less than its actual cost, the difference shall be made good out of the Repair, Maintenance and Depreciation Reserve, or the Surplus Reserve, and if not so made good shall be deducted from Property Value.
(Sec. 20.)

In the case of property acquired prior to September 30, 1915 (date of original valuation), and sold within two and one-half years of the date when Grant became effective, any deficit as between the value of such property on September 30, 1915, and the price received upon sale, shall be made good out of the Repair, Maintenance and Depreciation Reserve, or the Surplus Reserve, and if not so made good shall be deducted from Property Value.
(Sec. 20.)

If in the case of the sale, by permission of the Board of Commissioners, of any or all of the property embraced in the Terminal, the proceeds shall be used to pay the indebtedness of the Company, a sum equal to such proceeds shall be deducted from Property Value; in case the whole of the property is sold any deficit as between the value of the Terminal as set forth in the Grant, or, in case of the sale of part of the Terminal property, any deficit as between its cost and the sale price, shall be made good out of Repair, Maintenance and Depreciation Reserve, or Surplus Reserve, and if not so made good shall be deducted from Property Value. (Sec. 20.)

If property mortgaged in any other way than under a general mortgage, or acquired subject to a mortgage, is sold under foreclosure, or at a judicial sale, any deficit as between the amount at

which such property is included in Property Value, and the sum received at such sale shall be deducted from Property Value, and the proceeds of such sale shall be used for Extensions, Betterments, or Improvements. (Sec. 20.)

In the case of the destruction of or loss to property insured, amounts received on account of such insurance may, with the consent of the Board of Commissioners, be used to pay off the indebtedness of the Company, and in such case shall be deducted from Property Value. Losses sustained through the destruction of property, whether or not insured, shall be made good from the Repair, Maintenance and Depreciation Reserve, or the Surplus Reserve, and if such Reserves are insufficient to make good such losses they shall be held in suspense until they can be amortized out of Gross Earnings. (Sec. 20.)

In the event that the lease of the property of the Northern Texas Traction Company shall be terminated, the value of all property included in Property Value, on account thereof, shall be deducted from Property Value. (Sec. 36.)

In the event of the purchase of the Property of the Company by the City, there shall be deducted from Property Value, the value of such property lying outside the City limits, as the City may not have the legal right to purchase. (Sec. 38.)

In the case of purchase by either the City or Licensee of the property of the Company, and in the event that the Company shall not have acquired the property of the Northern Texas Traction Co., leased by the Company, the value of such leased property included in Property Value, shall be deducted from Property Value. (Secs. 38 and 39.)

Property included in the value of the property leased from the Northern Texas Traction Co., as fixed by the Grant, sold and not replaced by property of equal value shall be deducted from Property Value. (Sec. 46.)

MEMPHIS

The amounts to be deducted from Initial Value from time to time in order to ascertain the basis of return, is determined in accordance with accounting methods to be prescribed by the Commission. For the present the I. C. C. Classification of Accounts is in use.

4.—RATE OF RETURN, NORMAL**CLEVELAND**

Upon the bonded indebtedness of the Company (see (a) *supra*), five per cent. When such bonded indebtedness is refunded such interest as the new bonds may bear, plus such rate as will amortize the discount, if the bonds be sold at a discount, the total not to exceed six per cent. (Sec. 16.)

Upon the other indebtedness of the Company (see (b) *supra*), six per cent.

Upon the capital stock of the Company six per cent. (Sec. 16.)

NOTE: As the result of the decision of a Board of Arbitration this rate was in 1920, increased to seven per cent.

It is further provided that there shall be paid from the Interest Fund, all taxes assessed, by the United States, the State of Ohio, or any County, Municipal or Township authorities in that State, against such stock, so that the six per cent shall be tax free. (Sec. 17.)

YOUNGSTOWN

Upon Initial Value, seven per cent per annum, paid in twelve monthly instalments.

Upon added Capital Value, the rate of return fixed in the resolution authorizing the issuance of stocks, and bonds or the creation of floating debt, which shall in all cases be the lowest rate at which the capital can be secured. (Sec. 10-E.)

CINCINNATI

No rate of return is specified. The Company is allowed certain sums fixed in the Grant, covering rentals, interest and principal upon equipment notes and return upon moneys invested in the property. (See E. 1.)

BOSTON

On Rented Property—rents stipulated in lease. (Sec. 6.)

On Indebtedness—interest fixed by securities or other evidences of indebtedness. (Sec. 6.)

On preferred stock—fixed dividends. (Sec. 6.)

On special issue of preferred stock, authorized by act to provide \$2,000,000 for betterments and improvements and \$1,000,000 to provide a Reserve Fund—fixed dividends not to exceed seven per cent. (Sec. 6.)

On Common Stock—five per cent, for the first two years of the ten-year period of public management and control; five and one-half per cent, for the next two years, and six per cent thereafter. (Sec. 6.)

MASSACHUSETTS (General)

On Rented Property—rents as fixed in the lease. (Sec. 2.)

On Indebtedness—interest fixed in securities or other evidences of indebtedness. (Sec. 2.)

On Preferred Stock—dividends fixed at the time of issuance. (Sec. 2.)

On Stock Investment (defined as the difference between the sum of the "Capital Investment" (see D-1) and the amount paid in for outstanding preferred stock, bonds and other evidences of funded indebtedness)—On Stock Investment included in original value, six per cent; on stock investment hereafter issued with the Commission's approval, six per cent. (Sec. 2.)

MONTREAL

On Initial Value—six per cent. (Art. 92; Par. 3.)

On Added Value—six per cent (on money borrowed by the Company from Maintenance and Renewals Fund, from Contingent Reserve Fund and from Tolls Reduction Fund, the Company is required to pay six per cent interest into such funds).

On new capital supplied during the war and for two years thereafter (the additional return to be paid for a period of five years after the close of the war, only)—six per cent, plus an additional one per cent. (Art. 92; Par. 3.)

On working capital supplied by the Company under the direction of the Commission—six per cent. (Art. 92; Par. 3.)

EASTERN MASSACHUSETTS

On Bonds, and other Evidences of Indebtedness—stipulated interest. (Sec. 14.)

On Preferred Stock—stipulated dividends. (Sec. 14.)

On Common Stock—six per cent. (Sec. 14.)

WESTERVILLE

Six per cent on Initial Value, including \$25,000 of Working Capital, and excluding, for the first ten years of the Grant, \$75,000 of the agreed upon value of \$350,000;

Eight per cent on additional capital in general;

Fifteen per cent on new capital invested in the part of the enterprise located in the incorporated Village of Linden Heights. (Sec. 10.)

DALLAS

The return allowed the Company is based on the Property Value as fixed by the Grant, irrespective of securities and varies as the rate of fare varies.

When the base fare rate is five cents, 22 tickets for \$1, the allowable rate of return is seven per cent;

When the base fare rate is five cents, six tickets for 25 cents, the allowable rate of return is eight per cent;

When the base fare rate is five cents, seven tickets for 25 cents, the allowable rate of return is eight and one-half per cent;

When the base fare rate is five cents, eight tickets for 25 cents, the allowable rate of return is nine per cent. (Sec. 23.)

MEMPHIS

The return upon the investment shall not be more than $7\frac{1}{2}$, nor less than $6\frac{1}{2}$ per centum, per annum.

For any month in which the Fare Index Fund balance is less than \$60,000, the return shall not be greater than at the rate of $6\frac{1}{2}$ per centum per annum.

In any month when the Fare Index Fund balance is more than \$60,000, the return may be at any rate, between $6\frac{1}{2}$ and $7\frac{1}{2}$ per centum per annum, which the Company is able to pay after providing the remaining costs of service, without reducing the Fare Index Fund below \$60,000.

If in any month, it is not possible to pay the minimum return of $6\frac{1}{2}$ per centum per annum to the Company, then such deficit shall be accumulated, and with interest at $6\frac{1}{2}$ per centum per annum, paid to the Company from future earnings before any amounts are added to the Fare Index Fund.

5.—ADDITIONAL ALLOWANCES**CLEVELAND**

None.

YOUNGSTOWN

None.

CINCINNATI

When fare is six cents, twenty per cent of surplus receipts remaining after payments specified in E 1 (Sec. 22 of Grant) shall be paid to Company.

When fare is five and one-half cents, thirty per cent shall be paid to Company.

When the fare is five cents or less, forty-five per cent shall be paid to Company. (Sec. 22 H.)

BOSTON

None.

MASSACHUSETTS (General)

None.

MONTREAL

If, during the year, the Company keeps within 102½ per cent of the Operating Allowance (see E-2), fixed by the Commission, or if, upon decision by the Commission after examination of a statement to be filed by the Company during the year, or immediately after the close of the year, that any excess expenditures were unnecessary and unavoidable—one-eighth of one per cent of average capital value for the year (known as Operating Profit) shall be allowed the Company, except that in the case the Commission shall find any part of any excess to have been the result of unnecessary and avoidable expenditures, then such part as it finds to have been unnecessary and avoidable shall be deducted from the Operating Profit. (Art. 92; Par. 1.)

For expenses incurred in securing new capital, including discounts, commissions, printing and engraving, exchange, legal and other expenses in connection with the issuing of bonds; and printing, engraving, transfer and registration fees, and the listing on stock exchanges, of stock—annually, \$181,431.37 (being one-half of one per cent of initial value), provided that this money

is to be used for no other purpose and the surplus kept in a special account, not to be disturbed until the termination of the contract. (Art. 92; Par. 3.)

After the payment of all charges provided for in the contract, the surplus of gross revenues remaining (known as the Divisible Surplus) are divided, thirty per cent to the city, twenty per cent to the Company and fifty per cent to the Tolls Reduction Fund. (Art. 92; Par. 6.)

EASTERN MASSACHUSETTS

None.

WESTERVILLE

None.

DALLAS

No provisions.

MEMPHIS

No provisions.

6.—ASSURANCE OF RETURN

CLEVELAND

The only assurance of return contained in this grant, is the provision for the automatic regulation of fares. If the Company believes that the service demanded by the City, is so great as to jeopardize the return to the Company, even though the highest rate of fare be in force, it may appeal to a Board of Arbitration, which shall decide the question. (Sec. 9.) See also under A, 2, provisions for control of rates and service, when grant has less than fifteen years to run.

YOUNGSTOWN

Only such assurance of return as is given by the automatic regulation of fares. If the Company believes that the service prescribed by the City is so great as to jeopardize its return under any rate of fare stipulated in the grant, or that the proposals for Extensions, Betterments and Permanent Improvements made by the City, jeopardize such rate, it may submit the question to a Board of Arbitration. (Secs. 6 and 15-C.)

When the Grant has less than 15 years to run, the Company may charge such rate of fare as will insure its stipulated return, and a

sufficient additional amount to amortize the entire value of the property during the remaining life of the franchise. (Sec. 18.)

CINCINNATI

The assurance of return given is that provided by the automatic regulation of fares. If the Company believes that the service prescribed by the city cannot be performed under the budget allowance, the determination is left to a court of competent jurisdiction. Similarly orders of the City providing for capital expenditures may be disputed by the Company. (Sec. 8.)

The obligation of the City is further limited by the following paragraph: "Nothing in this Paragraph 22 shall be construed to make any payment or payments, or cumulative payment or payments obligations of the City or to make any cumulative payment or payments obligations between the City and the Companies payable from any source other than gross receipts and the sum or sums from time to time in the aforesaid Reserve Fund. (Sec. 22.)

BOSTON

If, on the last day of June, or the last day of December, in any year, the amount in the Reserve Fund, shall be insufficient to make good any deficiency in the cost of service, the Trustees shall notify the Treasurer and the Receiver General of the State of the amount of such deficiency, less any amount remaining in the Reserve Fund, and the State shall thereupon pay over to the Trustees the amount so ascertained, which shall be used for the purpose of paying such deficiency. (Sec. 11.)

Pending the payment of this sum by the State it shall be the duty of the Trustees to borrow such sums as will enable them to meet all deficiencies, including dividend payments. (Sec. 11.)

If on the last day of June, or the last day of December of any year, the Reserve Fund shall exceed the original \$1,000,000, the Trustees shall apply the excess, so far as necessary, to the reimbursement of the State for the money advanced to the Trustees to meet deficiencies. (Sec. 11.)

The Treasurer and Receiver General of the State may borrow if necessary the money with which to pay the deficiencies ascertained by the Receiver General. (Sec. 11.)

The amounts so paid to the Trustees shall be assessed upon the cities and towns in which the Company operates by an addition to the State tax next levied, in proportion to the number of persons in said towns and cities using the service of the company at the time of the payment, this proportion to be ascertained by the Trustees and certified to the Treasurer and Receiver General. (Sec. 14.)

MASSACHUSETTS (General)

Only such as is afforded by a scale of fares, automatically adjusted to cover the cost of service.

MONTREAL

Assurance of return is given through provisions making it mandatory upon the Commission to increase rates of fare in such amount as will provide for the payment of all charges set forth in the agreement. (Art. 92; Par. 6.)

EASTERN MASSACHUSETTS

The New Company is authorized to issue \$5,000,000 of serial bonds, to provide for the retirement of Receiver's Certificates, and other evidences of indebtedness, a Reserve Fund of \$500,000, and the improvement and betterment of the property. Of this amount \$1,000,000 was provided by the stockholders of the old Company, with no special assurance of return. For the remaining \$4,000,000, the Trustees were authorized to enter into an agreement with the purchasers, whereby, if the earnings of the Company applicable to dividends were insufficient to pay installments falling due, the State Treasurer should advance the necessary money, taking in exchange serial bonds to the amount thus advanced. These bonds are thus purchased by the State on account of the various cities and towns served by the Company, in proportion to the number of persons in such cities and towns using the service of the Company. The Trustees may borrow sufficient money to pay installment of serial bonds due in anticipation of purchase by the State; the State Treasurer may borrow in anticipation of contributions from the cities and towns, and the cities and towns may borrow in disregard of their debt limit for this purpose. If on June 30, or December 31, of any year, earnings of the Company applicable

to dividends are in excess of any sums needed to pay installments due on serial bonds, such excess shall be used in purchasing serial bonds held by the State on account of cities and towns. (Secs. 9, 10.)

Further assurance of return is afforded by a flexible, automatic system of fares, adjusted by the Trustees to the cost of the service. (Sec. 17.)

WESTERVILLE

Assurance of return is provided by the automatic regulation of fares (Sec. 12); by the provision that when the Grant has less than fifteen years to run, control of service and fares passes to the Company (Sec. 7); by the prohibition against the Commissioners requiring service that jeopardizes the return upon the investment (Sec. 7); and by the prohibition of requirements for Extensions, Betterments and Permanent Improvements that would do the same thing. (Sec. 14.)

DALLAS

There is no other assurance of return than that provided by the sliding scale of fares, and the authority given the Company to demand arbitration in regard to requirements for Service, or Extensions, Betterments and Improvements which it believes will jeopardize its ability to earn the stipulated return, under the highest fare permitted by the Grant.

MEMPHIS

There is no assurance of return, other than the provision for a flexible rate of fare.

E. COST OF SERVICE

1.— DEFINITION OF

CLEVELAND

There is no separate definition of the elements of the cost of service in grant. Authorization for the following payments, are, however, found in various provisions of the ordinance:

Operating expenses (including insurance, payments of claims, salary and expenses of City Street Railroad Commissioner, which shall not exceed one per cent of operating allowance for the year;

expenses of Commissioner in supervising plans for extensions, betterments and permanent improvements, when such are not actually made, (if made such expenses are charged to construction); the expenses of Boards of Arbitration, not to exceed \$5,000 in any six months (excess expenses are charged to the Interest Fund), and transportation provided for employes of the Company other than office employes);

Maintenance, depreciation and renewals;

Rentals;

Taxes;

Interest;

Dividends.

YOUNGSTOWN

There is no recital of the elements which go to make up the cost of service in the grant. Provision is made for the payment of:

Operating Cost (inasmuch as the method of keeping accounts prescribed by the American Electric Railway Accountants' Association is adopted, it may be taken for granted that the provisions of the I. C. C. Standard Classification of Accounts is followed). (Sec. 1.)

Return to capital. (Sec. 13.)

Specific provisions are made for the payment of the following items as Operating Costs:

The cost of paving, repaving and street repairs other than that necessitated by the extensions of the present lines. (Sec. 5.)

The salary of the Commissioner, not to exceed \$600 a month. (Sec. 8.)

The ordinary expenses of the Commissioner, not to exceed \$900 a month. (Sec. 8.)

The expenses of the Commissioners in preparing plans for Extensions, Betterments and Permanent Improvements, proposed by the City, and in checking similar plans proposed by the Company, when such plans are not carried out. When they are carried out they become part of the cost of the improvement. (Sec. 15-D.)

The expenses of Boards of Arbitration, except that expenses, in excess of \$1,000 for any period of six months, shall be paid from the Stabilizing Fund. (Sec. 9-B.)

Expenses incident to the issue and sale of stock and bonds, or the creation of floating debt. (Sec. 10-B.)

The difference between the estimated value of any property, as it appears in Original Capital Value, and the price at which it is sold, if it be sold. (This difference to be amortized over a period of time, to be completed before the expiration of the grant.) (Sec. 10-D.)

The rental agreed upon, for the Company's offices in the building of the Mahoning & Shenango Railway & Light Co. (Sec. 11-C.)

The expenses of the Commissioner in investigating the Company's methods of fare collection, purchases and the compensation paid to employes. (Sec. 14-A.)

Twenty-five per cent of the cost of rebuilding certain of the Company's cars as provided for in the grant. (Sec. 15-A.)

CINCINNATI

There is no recital of the elements of cost of service but provision is made for the payment from gross receipts of the following items, in the order named:

First.—Operating expenses and maintenance, including taxes, except the special Percentage Tax on gross earnings; Depreciation (until 1922 at the rate which was formerly charged by the Company and after 1922 at a rate to be fixed by the Ohio Public Utilities Commission). From the amount allowed for Depreciation shall be paid, until the Ohio Public Utilities Commission shall otherwise order, the principal payments on \$1,159,000 of equipment notes, outstanding at the time the Grant became effective. During the period of six years from April 1, 1919, in quarterly installments, to the City and the Company, the costs of valuation proceedings and a traffic survey formerly made. Certain rentals for tracks, poles and other construction on three city viaducts, amounting to \$6,500 a year. The payment of the legal expenses of both the City and the Company in cases growing out of the resistance or enforcement of ordinances, orders or decisions in connection with the provisions of the Grant. (Sec. 22.)

Second.— The payment to the Cincinnati Street Railway Co., of the sum of \$1,134,337, annually, being the amount of rental provided for in its lease to the Cincinnati Traction Company, or such other rental as may be later agreed upon between the two companies, subject to the approval of the Director of Street Railroads. The payment to the Cincinnati & Hamilton Traction Co., of \$100,600 annually, being the amount of rental paid for the use of the tracks of the aforesaid company. (Sec. 22.)

Third.— The payment to the Company, annually of \$215,000 interest and \$82,445 sinking funds on \$4,000,000 expenditures made by the Company prior to 1917, and interest on the equipment notes, provision for the payment of the principal of which is made in paragraph first. The \$4,000,000 above referred to and the \$1,159,000 Equipment notes are to be known as the Reducible Debt, and payments on account thereof shall cease when it is fully retired. (Sec. 22.)

Fourth.— The payment of the annual interest, dividend, sinking fund or retirement payments on securities issued with the approval of the City, for capital expenditures, after the taking effect of the ordinance. The payment of interest on loans made by the Company after the taking effect of the Grant, until such loans shall be paid from gross receipts, or from the sale of securities issued with the approval of the City. The payment of interest on floating debt and for money borrowed to produce the Company's portion of the Reserve Fund. The payment of interest on equipment notes issued after the taking effect of the Grant, provided such notes are issued with the approval of the City. The payment of principal on equipment notes provided for in the first paragraph, if the Ohio Public Utilities Commission shall decide that they may not be paid from depreciation reserve. The payment to the City of expenditures in connection with the placing of tracks and poles on the Hopple street viaduct. (Sec. 22.)

Fifth.— The payment annually to the Company of \$416,000 return on capital invested by it, between the time of the taking effect of the leases, given to the Cincinnati Traction Co., by the Cincinnati Street Railway Co. and the Cincinnati & Hamilton

Traction Co., and the time the Grant took effect. This Capital is considered to be in addition to that known as the Reducible Debt. (Sec. 22.)

Sixth.—The payment to the City annually of a Gross Earnings Tax of \$350,000. The payment to the City of certain arrears in the Gross Earnings Tax. (Sec. 22.)

Seventh.—The accumulation of a Working Capital Fund. This shall be accrued under the direction of the Director of Street Railroads at such time and in such amount as he shall approve, and shall be sufficient for the usual purpose of such a fund. It shall be increased or decreased at his direction, upon notice being given at least 45 days before the end of any calendar year, and if decreased, the amount taken shall be expended for improvements and betterments, or extensions.

Eighth.—The payment into the Reserve Fund, of such an amount as will, added to the \$250,000, provided by the Company from capital, bring the amount up to \$400,000, which shall be known as the Normal Condition of the fund. (Sec. 22.)

When the rate of fare shall be more than six cents, the payment into the Reserve Fund of all surplus remaining after the items heretofore mentioned have been paid.

When the rate of fare shall be six cents, the payment into the Reserve Fund of eighty per cent of the surplus and to the Company of twenty per cent.

When the rate of fare shall be five and one-half cents, the payment into the reserve fund of seventy per cent of the surplus and to the Company of thirty per cent.

When the rate of fare shall be five cents or less, the payment into the Reserve Fund of fifty-five per cent of the surplus and to the Company of forty-five per cent. (Sec. 22.)

BOSTON

The cost of the service includes:

- Operating expenses,
- Taxes,
- Rentals,
- Interest on indebtedness,

Depreciation,
Obsolescence,
Losses in respect to property sold, destroyed or abandoned,
All other expenditures and charges which, under the laws of the Commonwealth now or hereafter in effect, may be properly chargeable against income or surplus,
Fixed dividends on preferred stock,
Dividends on par value of common stock, at five per cent, for first two years of period of public control and management, five and one-half per cent, for next two years and six per cent thereafter. (Sec. 6.)

MASSACHUSETTS (General)

The Cost of the Service shall include:

Operating expenses,
Taxes,
Rentals,
Interest on all indebtedness approved by Public Service Commission,
Dividends on preferred stock,
Interest at six per cent on stock investment,
Such allowance for depreciation, obsolescence and for losses in respect to property sold, destroyed or abandoned as may be fixed by the Commission,
All other expenditures and charges recognized under I. C. C. Classification of Accounts, and the Laws of Massachusetts, as proper charges against income or surplus. (Sec. 2.)

MONTREAL

The term "cost of service" is not used in the grant, but provision is made for the payment of the following charges in the order given. (Art. 92.)

Operating expenses, including, among other things, the expenses of the Commission, insurance, payments for claims and damages and a reserve, fixed by the Commissioner, to recover claims and damages liabilities. (Art. 92; Par. 1.)

Taxes. (Art. 92; Par. 1.)

Operating Profit. (Art. 92; Par. 1.)

Maintenance, renewals, replacements and substitutions.
(Art. 92; Par. 2.)

Return on Initial Value. (Art. 92; Par. 3.)

Return on Added Value. (Art. 92; Par. 3.)

Return on Working Capital. (Art. 92; Par. 3.)

Allowance for the expenses of securing new capital (\$181,-
431.47). (Art. 92; Par. 3.)

Rental to the City at \$500,000 a year. (Art. 92; Par. 5.)

EASTERN MASSACHUSETTS

The cost of the service includes:

Maintenance,

Other operating expenses,

Taxes,

Rentals,

Interest on bonds, serial bonds and other interest payments,

Stated dividends on preferred stock,

Six per cent on common stock,

Allowance for depreciation, obsolescence, rehabilitation and
losses, as deemed adequate by the Trustees,

Other expenditures and charges, which, under the Massachu-
setts laws, now or hereafter in effect, may be chargeable against
income or surplus. (Sec. 14.)

WESTERVILLE

There is no formal definition of the cost of service. Provision
is made, however, for the payment of the following items:

(a) Each month, one-twelfth of the estimated annual cost of
all taxes, to be accrued until due;

(b) Each month one-twelfth of annual interest to be retained
by the Company, on the then Capital Value;

(c) Wages,

Salaries,

Power costs,

Current repairs,

Maintenance (current and deferred),

Damage claims, due to operation of passenger service on West-
erville line north of Seventeenth avenue, or of freight line at any
point,

Proportionate share of expenses of Company's Claim
Department,

All other expenditures properly chargeable to operating costs,

Interest on indebtedness incurred in the construction, main-
tenance or operation of the line.

DALLAS

It is provided that the monthly Gross Receipts (defined as
including all sums received from the conduct of the business car-
ried on under the Grant and from the Terminal, profits derived
from the sale of merchandise, rentals from real estate, buildings,
tracks, sidings and equipment, and miscellaneous revenues from
whatever source (Sec. 1) shall be devoted to the following pur-
poses and in the following order:

1. Payment of Operation Expenses, defined as including all
expenditures usually so classified by the American Electric Rail-
way Accountants Association, but in any event all expenditures for
Labor and materials used in repairing, maintaining, preserv-
ing, renewing, replacing and operating Company's property,
including that held under lease, insofar as they are not chargeable
to Property Value, or paid from Repair, Maintenance and Depre-
ciation Reserve;

Insofar as they are not chargeable to Property Value, all insur-
ance premiums, legal expenses, accounting and office expenses,
rentals for property or rights, except rentals paid under lease
from Northern Texas Traction Co., losses, taxes and charges
imposed by governmental authorities, expenditures and liabilities
(insofar as they are not paid out of Accident Reserve) for
injuries and damages to persons and property;

Officers' salaries and expenses;

Expenses for advertising;

All expenses not chargeable to Property Value, properly made
and incurred;

Interest on Working Capital. (Sec. 1.)

2. Ten per cent of Monthly Gross Receipts to apply to the creation and maintenance of the Repairs, Maintenance and Depreciation Reserve;

3. Until there has been accumulated an amount equal to six per cent of Railway Gross Receipts for the twelve months, then next, preceding (with which amount the Reserve shall be considered as "normal" unless the Company and the Board of Commissioners otherwise agree), six per cent of the monthly Railway Gross Receipts, to constitute the Accident Reserve;

4. Payment to the Company of five-twelfths of one per cent of the Property Value, on account of stipulated return. This is at the rate of five per cent per annum;

5. Further payments to the Company on account of stipulated return, it being provided that for every one-twelfth of one per cent on Property Value so paid to the Company, there shall be paid into the Repair, Maintenance and Depreciation Reserve, in addition to the payments provided by 2 three per cent of Railway Gross Receipts of the month;

6. The balance of Gross Receipts, remaining after the payments in 1 to 5, inclusive, shall be paid into the Repair, Maintenance and Depreciation Reserve, until that Reserve shall for the calendar year equal eighteen per cent of the total Railway Gross Receipts for the year;

7. If in any calendar year, subsequent to the taking effect of the Grant, there shall have been less than eighteen per cent of Railway Gross Receipts paid into the Repair, Maintenance and Depreciation Reserve, then after the monthly payments provided in 1 to 6, inclusive, shall have been made, the balance of Gross Receipts shall be paid into the Repair, Maintenance and Depreciation Reserve, until such deficits shall have been made good.

8. Any balance remaining of Gross Receipts, after the payment of 1 to 7, inclusive, shall be paid into Surplus Reserve, when the amount in the Surplus Reserve shall equal eight per cent of the then Property Value, its condition shall be considered "normal," unless the Company and the Board of Commissioners shall agree upon another percentage;

Payments into the Repair, Maintenance and Depreciation Reserve may cease when the amount of the Reserve is "normal."

When the highest rate of fare provided in the Grant is in effect, the Reserve shall be considered "normal," when it amounts to six per cent of the then Property Value. When the next highest fare is in effect, it shall be considered normal when it amounts to ten per cent of the then Property Value. When the condition of the Reserve is "normal," the Company may pay to itself, from Gross Receipts, the full return allowed it by the Grant. (Sec. 22.)

MEMPHIS

The cost of service shall include —

Operating expenses, including allowances for both a Renewals and Replacement Reserve and a Injuries and Damage Reserve;

Taxes;

Return on investment.

2.—ALLOWANCES

(a) Operating

CLEVELAND

The Operating Allowance is fixed by the original grant at 11½ cents per revenue car mile, exclusive of car-house and car-yard miles, and of cars used in carrying materials for the construction and repair work of the Company, for each motor car, and of 60 per cent of 11½ cents, for each revenue car mile made by trailer cars. (Sec. 18.) In the Renewal Grant the operating allowance was fixed at 19½ cents.

The Operating Allowance may be decreased or increased by agreement between the City and the Company, or by the action of a Board of Arbitration. (Sec. 20.)

YOUNGSTOWN

* The Operating Allowance is fixed by the Grant at 22 cents per car mile, for cars equipped with motors and 60 per cent. of 22 cents for trailer cars. (Sec. 11.)

The Operating Allowance may be changed by agreement between the City and the Company, or by a Board of Arbitration. (Sec. 11-A.)

* Note: The operating allowance has already been increased, effective May 1st, 1919, to 27 cents per car mile.

CINCINNATI

A budget plan is provided by the terms of the Grant. Forty-five days before the end of each year, the Company shall submit to the Director of Street Railroads, an estimate of gross receipts and operating expenses covering the ensuing year. The form provided by the I. C. C. Uniform System of Accounts for Electric Railways to be followed. The Director shall within ten days, either approve or disapprove such Budget. In case of disagreement, the controversy shall be submitted to arbitration. (See C6 (a), Par. 3. Sec. 8 of Grant.)

At any time during the year the Company may submit a Supplementary Budget or estimate, which follows the same course as the original Budget. (Sec. 8.)

Expenditures for operation shall not be made except under the General I. C. C. accounts, and shall not exceed the amounts under each account named in the Budget, except that with the approval of the Director transfers may be made from ~~one account~~ to another. (Sec. 8.)

BOSTON

No allowances are fixed by the Act. Expenditures are made in the judgment of the Trustees.

MASSACHUSETTS (General)

No allowance provided for in the Act. Under general laws, Public Service Commission has extensive jurisdiction.

MONTREAL

The Operating Allowance is a sum fixed by the Commission for each revenue car mile, exclusive of car-house and car-yard miles, operated by motor cars, except Company cars, with additional sums for revenue car miles run by trailers, and freight cars, again exclusive of car-house and car-yard miles. The Operating Allowance is fixed each year by the Commission in connection with its fixing of the permissible average density of traffic per car-mile, and the agreement provides that it shall be based upon the actual and necessary expenses of operation for the previous year, and modifications of service, changing costs, or any circumstances which influence the cost of operation. If in any year

there shall be an excess in cost of the Operating Allowance, which shall be determined by the Commission to have been necessary, such fact shall be taken into consideration in fixing the allowance for the following year. (Art. 92; Par. 1.)

EASTERN MASSACHUSETTS

No allowance fixed by the Act. It is left to the judgment of the Trustees.

WESTERVILLE

Operating expenditures are left to the judgment of the Company, except that the Commissioners may object to the proportion of salaries and other expenses, allocated to the Westerville line, in which case the dispute is arbitrated. (Sec. 13.)

DALLAS

No operating allowance is provided for in the Grant.

MEMPHIS

There is no provision for an operating allowance. The Injuries and Damage allowance is fixed by the Commission, and is paid into the Injuries and Damage Reserve, minus only such amounts as may be expended on account of payments for injuries and damages as prescribed in the I. C. C. Standard Classification of Accounts. The Injuries and Damage Reserve, which shall consist of the amount in the Company's reserve for this purpose at the time the order became effective, plus the monthly credits on account of the allowance for injuries and damage as directed by the Commission. The balance in the fund shall be deposited or invested in the bonds of the Company as prescribed by the Commission.

(b) Maintenance

(b-1) Definition

CLEVELAND

There is no attempt to define the dividing line between Maintenance and Depreciation and Renewals. A "Standard of Repair" is, however, established as follows:

"The intent . . . is to enable the Company to maintain, renew, replace, preserve and keep its railway system and property, and every part thereof, and all extensions, betterments and permanent improvements . . . in good condition, thorough repair and working order, the standard of such condition, repair and working order being an average for the entire system of 70 per cent. of its reproduction value. (Sec. 20.)

YOUNGSTOWN

A "Standard of Repair" is set up as follows:

"The intent hereof with regard to the sum authorized by Section 12 to be set aside for Maintenance, Repair and Renewal is to enable the Company to maintain, repair and renew, replace and preserve, and keep its railway system and property enumerated in Section 10 and schedules thereof, and all extensions, betterments and permanent improvements hereafter made pursuant hereto, in good condition, thorough repair and working order." (Sec. 12-B.)

Disputes as to the definition of Extensions, Betterments and Permanent Improvements in distinction to Maintenance, Repair and Renewal shall be arbitrated. (Sec. 15.)

CINCINNATI

The Company is required by the terms of the Grant to keep its property "in such repair and condition as shall be sufficient at all times for the safe and convenient operation of cars and traffic therein and thereon and for the safety and accommodation of passengers and property carried and for the protection of the City from liability to the public and shall restore and replace every necessary part which may wear out or cease to be useful." (Sec. 8.)

Inasmuch as the Grant provides for the submission of the Budget under the form set forth in the I. C. C. System of Accounts, the definitions used therein may be considered to hold.

BOSTON

No allowance provided for.

MASSACHUSETTS

No allowance provided for.

MONTREAL

The agreement provides that "the entire plant and property of the Company used and necessary to provide the public transportation service shall at all times be maintained at the highest practicable standard of operating efficiency." The Maintenance Allowance shall be used "for the purpose of maintenance, renewals, replacements and substitutions made necessary by wear and tear, age, obsolescence, inadequacy, accident or other cause." (Art. 92; Par. 2.)

EASTERN MASSACHUSETTS

Act contains no definition.

WESTERVILLE

Grant contains no definition.

DALLAS

See C. 3. (a).

MEMPHIS

The order contains no definition of maintenance in contradistinction to Renewals and Replacements, but provides, as to the Renewal and Replacement Reserve, that it "shall be used for the sole purpose of providing renewals and replacements (other than ordinary maintenance) due to ordinary depreciation, obsolescence or abandonment, as may be prescribed by the Commission from time to time, and in accordance with the accounting methods prescribed herein."

(b-2) How Fixed

CLEVELAND

The Maintenance, Depreciation and Renewal Allowance was fixed by the terms of the original grant, upon the basis of revenue car mileage, as for the operating allowance, as follows:

In January, February, March, April, May and December, four cents per car mile for motor cars; 60 per cent of four cents a car mile for revenue trailers.

In November, five cents a car mile, for motor cars; 60 per cent of five cents a car mile for revenue trailers.

In June, July, August, September and October, six cents a car mile for motor cars; 60 per cent of six cents per car mile for revenue trailers. (Sec. 19.) In the Renewal Agreement one cent per car mile was added for each month.

The Maintenance, Depreciation and Renewal Allowance may be decreased or increased by agreement between the City and the Company, or by the action of a Board of Arbitration. (Sec. 20.)

The allowance for Maintenance, Depreciation and Renewals is credited to a separate fund. No expenditures from this fund, can be made without the approval of the City. (Sec. 20.) All amounts not needed for maintenance or renewals, are accumulated and invested in the bonds of the Company, or in such of its floating indebtedness, as forms part of its capital value. If any part of the amount so invested is needed for maintenance and renewals, the Company may issue new bonds or floating indebtedness to the amount of such investment, which bonds or floated indebtedness becomes a part of capital value. (Sec. 20.)

The Maintenance, Depreciation and Renewals Allowance, shall not be diminished, until such time as the value of the Company's property together with the amount accumulated in the Maintenance, Depreciation and Renewals fund, shall equal 70 per cent of the reproduction value of the value of the entire system. (Sec. 20.)

YOUNGSTOWN

The Maintenance, Repair and Renewal Allowance is fixed by the Grant at eight cents a car mile for motor cars and 60 per cent of eight cents for trailers. (Sec. 12.)

The Maintenance, Repair and Renewal Allowance may be changed by agreement between the City and the Company, or by a Board of Arbitration. (Sec. 12-a.)

Changes to the Maintenance, Repair and Renewal Account, must be approved by the City. In the event of disagreement, arbitration shall be resorted to. (Sec. 12-A.)

CINCINNATI

Allowances for Maintenance, Repairs and Renewals are fixed by the Company in the Budgets and supplements thereto, subject to the approval of the Director of Street Railroads. (Sec. 8.)

BOSTON

No allowances fixed by the Act. Expenditures are made in the judgment of the Trustees.

MASSACHUSETTS (General)

No allowance provided for in the Act. Public Service Commission now has certain jurisdiction.

MONTREAL

The Maintenance Allowance is a sum fixed by the Commission for each revenue car-mile, exclusive of car-house and car-yard miles, operated by motor cars, with additional sums for revenue car-miles operated by trailers and freight cars, again exclusive of car-house and car-yard miles. (Art. 92; Par. 2.)

The Maintenance Allowance is paid into the Maintenance and Renewals Fund. To this fund is also added moneys received from the sale of property listed in the schedule upon which the Initial Value was based, when the Trustees for the Bondholders give their consent to such addition. (Art. 92; Par. 2.)

In the case of property replaced subsequently to the date of Initial Value, when the cost shall be less than the actual, or the reproduction cost, or when any such property is sold and not replaced, moneys so received shall be credited to the Maintenance and Allowance Fund, and expended for the making of additions, betterments and extensions, and that proportion of the cost of such additions, betterments and extensions paid for by such moneys shall not be charged to Capital Value. (Art. 92; Par. 2.)

In addition there shall be paid from the Maintenance and Renewals Fund:

The actual and necessary expenses of maintenance and renewals. (Art. 92; Par. 2.)

The cost of the replacement or substitution of any unit of the property listed in the valuation upon which Initial Value is based, up to the full reproduction cost of said unit. (Art. 92; Par. 2.)

The actual cost of the replacement or substitution of any item added to the property subsequent to the valuation upon which Initial Value is based. (Art. 92; Par. 2.)

Money not required for these purposes shall be held in the Maintenance and Renewals Fund, until it is required, or for investment in additions, betterments and improvements. (Art. 92; Par. 2.)

The Commission may, from year to year, increase or decrease the amount of the Maintenance Allowance as is required to provide such an allowance as will keep, except temporarily, the Maintenance and Renewal Fund at \$500,000, or more. (Art. 92; Par. 2.)

The Fund is under the control of the Commission, and money therein may not be paid out, loaned, or invested, except with the Commission's permission. Bank or other interest thereon, is added to and becomes a part of the fund. (Art. 92; Par. 2.)

If, in the judgment of the Commission, the condition of the fund warrants the loan, the Company, when it is compelled to furnish new capital, must first borrow from the Maintenance and Renewals Fund, in which case the return of six per cent, received by the Company thereon, is paid into the Maintenance and Renewals fund. (Art. 92; Par. 3.)

In case the City acquires the property of the Company at the termination of the agreement, the Maintenance and Renewals Fund becomes the property of the City, and its amount shall not be added to the purchase price. Any money borrowed by the Company from the fund and due at the time of purchase, if not be repaid by the Company, shall be deducted from the purchase price. (Art. 92; Par. 2.)

EASTERN MASSACHUSETTS

No allowance fixed by the Act. It is left to the judgment of the trustees.

WESTERVILLE

No allowance fixed by grant.

DALLAS

See provisions for Repair, Maintenance and Depreciation Reserve, under E. 1.

MEMPHIS

No provision for Maintenance allowance.

(c) Depreciation**CLEVELAND**

Included in Maintenance and Renewals.

YOUNGSTOWN

Included in Maintenance and Renewals.

CINCINNATI

Provision is made for the accumulation of a Depreciation Reserve, the amount to be paid into such reserve for the first five years of the Grant, being fixed as that previously allowed by the Companies themselves. After five years the amount of Depreciation allowance is to be fixed by the Public Utilities Commission of Ohio. Until the Commission shall otherwise order, payments sufficient to retire \$1,159,000 of Equipment notes, as they mature, shall be paid from the Depreciation Reserve. (Sec. 22.)

Depreciation funds shall be invested or deposited by the Company as approved by the Director of Street Railroads and shall be used for renewals and replacements. (Sec. 22.)

BOSTON

The allowance for depreciation is specifically left to the judgment of the Trustees. They are, however, required to provide for obsolescence and "losses in respect to property sold, destroyed or abandoned." (Sec. 6.)

The Trustees are further required to maintain the property in "good operating condition and to make such provision for depreciation, obsolescence and rehabilitation, that, upon the expiration of the period of public management and operation, the property shall be in good operating condition." (Sec. 13.)

MASSACHUSETTS (General)

Allowance for "depreciation, obsolescence and losses in respect to property sold, destroyed or abandoned," fixed from time to time by the Public Service Commission. (Sec. 2.)

During the period of the war and for one year thereafter, the allowance may, in the discretion of the Commission, be smaller than would be considered adequate in normal times. (Sec. 13.)

The Public Service Commission may order Company to dispose of property no longer useful, the loss to be amortized over a period of not more than ten years. (Sec. 13)

MONTREAL

See Montreal (E-2-(b-2))

EASTERN MASSACHUSETTS

Fixed by the Trustees. (Sec. 14.) Subject to the approval of the Public Service Commission the Trustees are authorized for the period of the war, and for a time, not exceeding one year thereafter, to waive the setting aside of any depreciation allowance. (Sec. 17.)

WESTERVILLE

There is no direct provision for the accumulation of a Depreciation Reserve. In the cost of the service, Deferred Maintenance is one of the items provided for.

DALLAS

"The Grantee covenants that it will at all times keep all its property, including the property embraced in said lease from Northern Texas Traction Company, in good and businesslike order and repair and as a whole in condition to give effective service. To this end, and to the end also that replacements and renewals may be made from time to time as necessary to maintain the property in such condition and to offset depreciation in the physical condition of the property as a whole, and that new types of equipment may be introduced to supersede those that become antiquated or obsolete according to commonly accepted commercial standards in the business, the Grantee will set up in the manner hereinafter provided, a Repair, Maintenance and Depreciation Reserve, and will use the same when and to the extent necessary for such purposes and for those purposes only, save as herein otherwise provided." (Sec. 17.)

The Grant sets up three Reserves — "Repair, Maintenance and Depreciation," "Accident" and "Surplus."

In addition to the general provision for the use of the Repair, Maintenance and Depreciation Reserve, just quoted, the Grant provides for the following uses:

In case any property included in Property Value is sold for less than its cost (or in the case of property acquired prior to the date of the valuation of the Company's property and sold within two and one-half years of the taking effect of the grant, its value as of that date, the loss so incurred may be made good out of the Repair, Maintenance and Depreciation Reserve. (Sec. 20.)

In case any of the Company's property is destroyed by fire, or other calamity, the loss sustained, may be made good out of the Repair, Maintenance and Depreciation Reserve. (Sec. 20.)

When old or worn out property, including pavement and street improvements but not repairs thereto, is replaced by new property such difference between the cost of the new property and that of the old property, as cannot be charged to Extensions, Betterments and Improvements under Section 26 of the Grant, shall be charged to the Repair, Maintenance and Depreciation Reserve, or to Operating Expenses. (Sec. 26.)

If at the expiration or termination of the lease of the property of the Northern Texas Traction Co., the Company is obligated to make good any depreciation, the amount thereof shall be paid from the Repair, Maintenance and Depreciation Reserve, or from the Surplus Reserve, or shall be amortized from Gross Receipts. (Sec. 46.)

The Surplus Reserve is created as an equalizing fund "to promote the orderly and economical operation and development of the Grantee's business and to provide for any unexpected or unusual contingencies or reverses therein." (Sec. 21.) The Grant states the following specific purposes for which it may be used:

1. Temporarily carrying the charges or burdens, except interest and charges during construction, of the unprofitable stages of extensions or additions (Sec. 21.);
2. Carrying the burdens incident to reduction of fares or other changes seriously affected profits of the business for the time being (Sec. 21);
3. Preventing frequent or violent fluctuations in fares (Sec. 21);

4. Promoting the periodic payment of return to the Company (Sec. 21);

5. To bring either the Accident Reserve, or the Repair, Maintenance and Depreciation Reserve, up to "normal," when either or both shall be below "normal" and the Surplus Reserve, is more than ten per cent above "normal." (Sec. 25.)

6. In case any property included in Property Value is sold for less than its cost (or in the case of property acquired prior to that date of the valuation of the Company's property and sold within two and one-half years of the taking effect of the Grant, its value as of that date), the loss so incurred may be made good out of the Surplus Reserve. (Sec. 20.)

7. In case any of the Company's property is destroyed by fire, or other calamity, the loss sustained may be made good out of the Surplus Reserve. (Sec. 20.)

8. If at the expiration or termination of the lease of the property of the Northern Texas Traction Co., the Company is obligated to make good any depreciation, the amount thereof may be paid from the Surplus Reserve. (Sec. 46.)

The Accident Reserve is established as an equalizing fund, for the purpose of meeting losses, not charged to Operating Expenses, on account of persons killed or injured and property damaged and destroyed, where such losses are not covered by insurance as provided by Section 20 of the Grant, as well as the legal expenses involved. Losses occurring from these causes in Connection with Extensions, Betterments and Improvements, are a charge against such Extensions, Betterments and Improvements and may not be charged to Accident Reserve. (Sec. 21.)

Moneys in any of the three Reserves, may be used for increasing the facilities for serving the public (in which case the amount shall not be added to Property Value), or may with the approval of the Board of Commissioners be invested in high grade Texas securities. Earnings of these funds shall be applied at the discretion of the Company either to increase the Accident Reserve or the Repair, Maintenance and Depreciation Reserve, if either is below "normal," or as a credit to Operating Expenses. (Sec. 22.)

MEMPHIS

A Renewal and Replacement Reserve is provided for. This consists of the amount reserved for renewals and replacements at the time the order took effect (April 1, 1920), plus allowance paid into the fund monthly as a cost of the service. This allowance is based on the Company's investment in depreciable property, which is declared to be, as of July 1, 1919, the date of the Initial Investment, \$7,600,000 as compared to total investment of \$11,846,034. Until there shall be accumulated in the Renewal and Depreciation Reserve the amount of \$500,000 and thereafter, when the balance in the fund shall be more than \$300,000, but less than \$500,000, there shall be paid into the Fund monthly as a part of the cost of service, one-twelfth of 3 per centum of the investment in depreciable property.

When the balance in the Renewal and Replacement Reserve shall be more than \$500,000, the monthly payments shall be one-twelfth of 2 per centum; and when it shall be less than \$300,000, the monthly payments shall be one-twelfth of 4 per centum.

The Renewal and Replacement Reserve shall be used only for the purpose of providing renewals and replacements, other than ordinary maintenance, and payments therefrom are to be made with the approval of the Commission, in accordance with the methods prescribed by the I. C. C. Classification of Accounts. The balance in the fund shall be invested in the bonds of the Company, or deposited as the Commission may approve and interest thereon shall be credited to the Reserve.

3.— SPECIAL TAX AND IMPOST FEATURES

CLEVELAND

By the terms of the grant the Company is exempted from the payment of the "car-license fee" which was before exacted from street railway companies. (Sec. 6.)

The Company is required to maintain the pavement between its tracks and one foot outside thereof, but is not required to repave. (Sec. 7.)

The Company is required to carry free, firemen and policemen in uniform, while on duty. (Sec. 30.)

The Company is required to operate hospital, supply and other special cars for the City. The City supplies and maintains the cars, and pays the wages of employes in charge thereof, and for current, but no fixed charges, or track maintenance or renewals. (Sec. 23.)

YOUNGSTOWN

The Company is required to pave, repave, and maintain pavement between its tracks and one foot outside thereof, on all streets and bridges with the same material as the rest of the street is paved with, except that it is not required to use sheet asphalt, the City having the privilege to designate some other material, no more expensive. (Sec. 5.)

The Company is required to sprinkle the space between its tracks and one foot outside. (Sec. 5.)

The Company is required to transport free, policemen, firemen and sanitary policemen of the City. (Sec. 14-D.)

The Company is obliged to provide and operate, at actual cost, cars for municipal purposes. (Sec. 14-E.)

CINCINNATI

(a) Taxes:

The Company is required to pay an annual Gross Earnings Tax of \$350,000. (Sec. 22-F.)

(NOTE.—This is in lieu of paving taxes and assessments, excepting that the Company is required to replace paving which it disturbs.)

(b) Imposts:

The Company is compelled to carry free, policemen and firemen, when in uniform. (Sec. 12.)

The Company shall operate cars for such exclusively municipal purposes on such terms, conditions and compensation as shall be authorized by Council and agreed upon between the City and the operating company. (Sec. 20.)

BOSTON

No special taxes or impostes are provided for but the Act contains the following declaration: "Nothing herein contained shall be held to affect the right of the Commonwealth or any subdivision

thereof to tax the Company or its stockholders in the same manner and to the same extent as if the Company had continued to manage and operate its own property." (Sec. 2.)

MASSACHUSETTS (General)

No provisions.

MONTREAL

An annual rental of \$500,000 is paid from gross revenues to the City. (Art. 92; Par. 4.)

The City receives 30 per cent of surplus remaining after costs provided for in the Agreement are paid. (Art. 92; Par. 6.)

The Company shall pay for the cost of pavement between its tracks and eighteen inches outside thereof. (Art. 42.)

The Company shall maintain pavement between its tracks and eighteen inches outside thereof. (Art. 46.)

The Company must renew wooden poles with iron poles, and in new construction use iron poles. (Art. 45.)

The Company is forbidden to use T rails, in streets paved with permanent pavement, including asphalted macadam. (Art. 52.)

The City shall have the right to use the Company's poles for stringing City wires and for signs giving information of public interest. (Art. 65.)

The Company is required to keep its tracks free from snow and ice, and if the City itself elects to remove the snow and ice from the entire street the Company shall pay one-half the cost thereof. (Art. 66.)

If the City elects to open a street across the Company's right of way, it may cross the lands of the Company, without being liable for damages and without payment for such land. (Art. 67.)

The Company shall make connections between its tracks and sidings and municipal establishments and yards at cost price. (Art. 69.)

In the case of fire, the wires of the Company may be cut on the order of the Chief of the Fire Department, and the Company may not claim damages therefor. (Art. 73.)

Policemen and firemen, employed by the City or by any municipality served by the Company, shall be transported free, as shall the members of the Commission and its employes. (Art. 80.)

The Company shall at the request of the City have special tickets printed to be used exclusively by City employees. The regular price shall be charged therefor. (Art. 81.)

EASTERN MASSACHUSETTS

For the period of the war and for two years, thereafter, the Company is relieved, unless the Public Service Commission after a hearing decides otherwise, from paying the cost of the construction, alteration, maintenance, or repair of streets, bridges, or of structures in connection therewith; for the abolition of grade crossings, or the undergrounding of wires, except that it must restore street surfaces disturbed by it in connection with railway work and shall not be relieved from certain obligations incurred before the passage of the Act. It is provided further, however, that any work of construction for which the Company may have been obligated shall be postponed for two years after the war, unless in the opinion of the Trustees public necessity requires the continuance of the work covered by such obligations. (Sec. 20.)

WESTERVILLE

The Company is required, where its tracks are in an improved highway located south of the Corporation of Linden Heights to maintain the roadway between its tracks and one foot outside, in the same manner as the rest of the highway is maintained. (Sec. 6.)

When the highway in which the tracks of the Company north of the Corporation of Linden Heights is improved, the Company is required to construct and maintain between its rails and one foot outside "boulevard construction." (Sec. 6.)

The Company is required to maintain and keep in repair all culverts and drains beneath its roadbed and one foot outside its tracks. In the case of new drains and culverts it shall pay for the construction of that portion under its roadbed and one foot outside its rails. (Sec. 6.)

DALLAS

By the terms of the Grant the Company is relieved from all municipal charges, fees, rentals, pole rentals, wire taxes, inspection

or other charges, and taxes of every kind, except *ad valorem* taxes and special assessments for public improvements. (Sec. 47.)

The Company is required to make any changes in tracks and wires, ordered by the Board of Commissioners, to permit the construction or alteration in pipe lines or cables owned by the City, and shall assume the expenses thereof. (Sec. 5.)

The Company is obliged to pave and maintain paving between its tracks and twenty-four inches outside. (Sec. 6.)

The Company is obliged to furnish free transportation to policemen and to firemen when required by the City, to the extent permitted by law. (Sec. 24.)

The City is given the right to string its wires upon the poles of the Company, providing the use of the poles is not interfered with by the City, and no expense to the Company is involved. (Sec. 3.)

MEMPHIS

No provisions.

F. FARES

1.—SCHEDULES OF

CLEVELAND

The Schedule of Fares as amended by action of the City Council, August 3, 1918, follows:

1. Six cents cash; nine tickets for fifty cents; one cent transfer, no rebate.
2. Five cents cash; five tickets for twenty-five cents; one cent transfer, no rebate.
3. Five cents cash; eleven tickets for fifty cents; one cent transfer, no rebate.
4. Five cents cash; six tickets for twenty-five cents; one cent transfer, no rebate.
5. Four cents cash; five tickets for twenty cents; one cent transfer, no rebate.

It is provided by the Grant that the Company shall under any rate of fare in force sell reissuable tickets. (Sec. 21.)

Provision is made for the sale or issuance of transfers good between all routes of the Company, except those in an opposite direction, or parallel or substantially parallel. Such transfers are

good only on the next car, or within five minutes of their issuance. Passengers are required to use such transfers upon lines, which will take them most directly to their destination without the use of a second transfer. (Sec. 21.)

A child under six years of age, is carried free, but two children under six years of age travelling with a single passenger, are charged a single fare, for both. (Sec. 21.)

The fares provided for by the schedules provided for in the Grant, are for rides within the limits of the City of Cleveland, as they existed at the time of the adoption of the schedule. (Sec. 21.)

YOUNGSTOWN

Rate A.— Three cents cash, nine tickets for 25 cents, one cent for transfer.

Rate B.— Five cents cash, eight tickets for 25 cents, one cent for transfer.

Rate C.— Five cents cash, seven tickets for 25 cents, one cent for transfer.

Rate D.— Five cents cash, six tickets for 25 cents, one cent for transfer.

Rate E.— Five cents cash, no tickets, one cent for transfer.

Rate F.— Six cents cash, nine tickets for 50 cents, one cent for transfer.

Rate G.— Seven cents cash, eight tickets for 50 cents, one cent for transfer.

Rate H.— Eight cents cash, seven tickets for 50 cents, one cent for transfer.

Rate I.— Nine cents cash, six tickets for 50 cents, one cent for transfer.

When Rate B becomes effective the City shall establish a rate of fare lower than Rate A and bearing the same relation to Rate A that Rate A bears to Rate B. When Rate H becomes effective the City shall establish a rate of fare higher than Rate I, and bearing the same relation to Rate I that Rate I bears to Rate H. (Sec. 14.)

School or special tickets, not good before 7 A. M. or after 5 P. M. on week days, or at all on Sundays or legal holidays, shall be sold at a price to be agreed upon between the City and the Company.

The holders thereof shall pay one cent additional for transfer. (Sec. 14-A.)

Children under six years of age accompanied by a person paying fare shall be carried free. (See 14-A.)

The City and the Company may agree upon any rate of fare not specified in the schedule, but the matter of the installation of such a fare is not subject to arbitration. (Sec. 14.)

Tickets shall be sold upon all cars. Tickets sold under a different rate of fare than that at the time in force shall not be accepted, but shall be redeemed at any office of the Company for the price paid therefor. (Sec. 14-A.)

Transfers shall be issued from one route of the system to any other routes, except in a substantially opposite direction, or to a route substantially parallel. They are good on the car of the second route next passing the point of transfer. The Company shall, subject to the approval of the City, make reasonable rules for the issuing of transfers. (Sec. 14-A.)

The Grant provides that Rate E, five cents cash, no tickets, one cent for transfer, becomes effective upon the taking effect of the Grant. (Sec. 14-B.)

The fares provided for and the transfers to be issued are for a ride within the City limits of Youngstown and within certain specified limits outside thereof. (Sec. 14-B.)

CINCINNATI

The schedule of Fares provided in the Grant is as follows:

a. Initial fare:

For passengers over ten years of age, five cents.

Children under ten years, two and one-half cents.

Children in arms, free.

Passengers on inclined plane, two and one-half cents. (No transfers issued.) (Sec. 20.)

Fares to be increased or decreased as cost of service varies, as follows:

For passengers over ten years of age, by one-half cent stage.

For passengers under ten years of age, by one-half the amount of increase provided for passengers over ten years of age.

For passengers on inclined plane, by one-half the amount of increase provided for passengers over ten years of age. (Sec. 20.)

Tickets shall be sold at all times— For passengers over ten years of age, in strips of six at six times the fare then in force and for passengers less than ten years old in strips of four at four times the single fare then in force. (Sec. 20.)

When the fare in force produces a fraction of a cent, the cash fare shall be the whole number above the rate of fare producing the fraction. (Sec. 20.)

When fare is decreased or increased outstanding tickets shall be void, but shall be redeemed by the Company at the price paid therefor. (Sec. 20.)

The Company is authorized, subject to the approval of the Director of Street Railroads, to make rules and regulations for the collection of fares and the issuance of tickets. (Sec. 20.)

The Grant provides that passengers shall not be carried for a less fare to points outside the city than to points within. (Sec. 20.)

The Grant provides that the Company shall issue free transfers under rules and regulations made by it, subject to the approval of the Director of Street Railroads, who may order changes and revisions therein. Such rules and regulations, including the fixing of transfer points and the designation of transfer routes, shall become effective within ten days, after being approved by the Director, unless the Company shall file objections, in which case the Director shall hold a public hearing. His decision after such hearing shall be final, and the Company shall issue transfers to all destinations "on each and all of the routes and all new, changed and extended routes," as the Director shall decide. (Sec. 9.)

Transfers are not transferable and shall be used within five minutes of the time that passenger arrives at the transfer point. (Sec. 10.)

BOSTON

The Trustees were required, within sixty days of the taking effect of the Act, to put into operation rates of fare, which in their opinion were sufficient to pay the cost of the service, and within sixty days thereafter to adopt a schedule of eight different grades of fare, four above and four below the rate first established, and to at all times keep the schedule so that there shall be four

grades above and four below the rate in effect at the time. (Sec. 7.)

The Trustees may at any time change the schedule so as to alter the rates, or the method and basis of charges for fares and transfers. (Sec. 7.)

MASSACHUSETTS (General)

A Company accepting the Act, files with the Public Service Commission a schedule of nine different grades of fares. One of these it shall designate as the initial fare, as being, in its opinion, sufficient to meet the then cost of the service. Of the remaining fares, four shall be above and four below the initial fare. Each fare shall be so fixed in relation to the fare above or below, as to provide, so far as possible, for an increase or decrease of thirty per cent. in the Reserve Fund. The Commission shall either approve the schedule so filed, or shall establish a schedule of its own, in place thereof. If by reason of changes from the initial fare, there shall be at any time less than four fares above or below the fare effective, then the Company shall file an additional grade. This is also subject to the approval of the Commission, which if it does not approve, shall establish a grade of its own. (Sec. 6.)

If at any time, the interest of the public or the Company demands, the Company may, with the approval of the Public Service Commission, change the schedule of fares either in regard to the method of establishing fares and transfers privileges, or in regard to the steps between the different grades, or in other respects. (Sec. 6.)

"Except as thus provided, the Commission shall have power to modify such schedule only after it has been in effect for a period of one year; provided, however, that no modification of the schedule which diminishes the rate of return on the Stock Investment provided for in Section 2 shall be continued in effect for a period exceeding four months." (Sec. 6.)

MONTREAL

No schedules of fares are provided for in the Agreement. The Commission is authorized to fix fares from time to time in accordance with the provisions of the agreement.

For this purpose, the territory is divided into "Uniform-Tariff Territory," comprised of the City as it existed at the time of the taking effect of the Agreement, six towns immediately adjacent and portions of two parishes, also immediately adjacent, and "Territory Outside Uniform Tariff Territory," comprising such territory lying outside of Uniform-Tariff Territory as is served by the Company. (Art. 76.)

For Uniform Tariff Territory, the Commission must establish and maintain uniform rates. (Art. 76.)

For territory outside, the Commission may establish different tariffs for different municipalities and traffic between, it being provided, however, that such tariffs must not burden the rest of the system and that any municipality, or municipalities, may assume part of the cost of service for the sake of securing low rates. (Art. 76.)

The Commission has the power of establishing different rates for travel at certain hours of the morning or evening, or both, and higher fares to be charged between midnight and 5 A. M. (Art. 76.)

The Commission may put into effect reduced rate tickets for school children and apprentices on week days, but for school children such rates will apply only from 8 A. M. to 6 P. M., and for apprentices from 6 A. M. to 7 P. M. (Art. 76.)

Children under five years of age shall be carried free. (Art. 76.)

The Company is compelled to sell tickets of denominations fixed by the Commission. (Art. 76.)

When a new tariff becomes effective, tickets sold under the old tariff are not usable, but must be redeemed by the Company. (Art. 76.)

Tariffs become effective eight days after publication, for two consecutive days, in one English and one French newspaper. (Art. 76.)

Tariffs shall provide for the issue of transfers, either free or at a charge as determined by the Commission (Art. 77), under the usual restrictions, and it is forbidden to sell, exchange or give away a transfer, to receive, offer or to use for passage a transfer not regularly issued to the holder, or to throw away a transfer without first having destroyed it. (Art. 78.)

No other persons than the policemen and firemen of the City or of any municipality served by the Company, members and employees of the Commission, and officers and employees of the Company shall be carried free. (Arts. 79, 80.)

The Company may, with the approval of the Commission, contract with the Federal Government for the carriage of letter carriers and mail, and with the Provincial Government for the transportation of its officers and for service to and from the Bordeaux jail. (Art. 82.)

EASTERN MASSACHUSETTS

The Trustees are required, within sixty days after the New Company has acquired the property of the Old Company, to establish rates of fare which in their opinion will provide sufficient revenue to pay the cost of the service, and thereafter to maintain at all times at least four grades of fare, two of which shall be above and two of which shall be below the grade in effect. (Sec. 15.)

WESTERVILLE

Three Fare Zones are fixed by the Grant. In addition, there shall be established by the Company, with the approval of the Commissioners, or by the Commissioners, with the approval of the Company, overlapping zones, providing that the establishment of such overlapping zones shall not jeopardize the interest on the Company's investment. If the Company so thinks, it may submit the question to arbitration. If the decision is against its contention the overlapping zones shall be immediately established, but the Company at the end of three months may again protest to the Commissioners and again submit the question to arbitration. (Sec. 11.)

The fare collected in any zone shall be for a single ride to the end of that zone. (Sec. 11.)

The fare for all zones shall at all times be equal. (Sec. 11.)

The fare for the part of the trip, south of 17th Avenue (on city lines) shall always be the same as the city fare with the same transfer privileges. (Sec. 11.)

The following schedule of rates of fare by ticket, is established in the grant:

- (a) Four tickets for 10 cents, or 2½-cent fare.
- (b) Five tickets for 15 cents, or 3-cent fare.

- (c) Ten tickets for 35 cents, or $3\frac{1}{2}$ -cent fare.
- (d) Five tickets for 20 cents, or 4-cent fare.
- (e) Ten tickets for 45 cents, or $4\frac{1}{2}$ -cent fare.
- (f) Five tickets for 25 cents, or 5-cent fare.
- (g) Ten tickets for 55 cents, or $5\frac{1}{2}$ -cent fare.
- (h) Five tickets for 30 cents, or 6-cent fare. (Sec. 12.)

Each ticket sold shall be good for one continuous ride in any one zone. (Sec. 12.)

The maximum fare in any one zone shall be six cents. (Sec. 12.)

When the ticket fare is 4 1-2 cents or less, the cash fare shall be five cents. When the ticket fare is more than 4 1-2 cents, the cash fare shall be six cents. (Sec. 12.)

Commuters' rates may be established. (Sec. 12.)

DALLAS

Four rates of fare are provided by the Grant as follows:

- A. Cash fare, five cents, 22 tickets for \$1;
- B. Cash fare, five cents, six tickets for 25 cents;
- C. Cash fare, five cents, seven tickets for 25 cents;
- D. Cash fare, five cents, eight tickets for 25 cents. (Sec. 24.)

When Fare A. is in effect tickets shall be sold at the Company's office in the City of Dallas; when any of the other specified fares are in effect, they shall be sold on the Company's cars as well as at its office. The manner, time and place of selling tickets, may, however, be changed by agreement between the Company and the Board of Commissioners;

Under all rates of fare, children under five years of age shall be carried free;

Children not more than twelve, but more than five years of age shall be carried at two and one-half cents, and children's tickets shall be sold on all Company cars;

Students in any institution of learning as defined by the laws of Texas, not more than 17 years of age, shall be carried at two and one-half cents, upon tickets purchased at Company's office upon presentation of certificates of indentification;

Special rates for chartered cars and special service may be made by the Company with the approval of the Board of Commissioners;

The Company is obligated to give universal transfers, under rules and regulations made by it and approved by the Board of Commissioners, which shall prevent their abuse;

If at any time territory is annexed to the City, and the Company shall operate a line therein, the City may, in accordance with the provisions of the City Charter, establish reasonable fares, thereon, which in no event shall be less than those charged in the rest of the city. (Sec. 24.)

MEMPHIS

The following schedule of rates of fare is provided:

- No. 1 — Eight cents cash;
- No. 2 — Eight cents cash, 10 tickets for 75 cents;
- No. 3. — Seven cents cash;
- No. 4 — Seven cents cash, 10 tickets for 65 cents;
- No. 5 — Six cents cash;
- No. 6 — Six cents cash, 10 tickets for 55 cents;
- No. 7 — Five cents cash.

Whenever fare Number 2 or fare Number 6 is put into effect the Commission will extend the list of fares upwards or downwards as the case may be and will at all times provide in the schedule two rates of fare which shall be below or above that which is in effect.

Children five years old or less may be carried free when accompanied by a fare paying passenger. Transfers shall be given in accordance with regulations in effect at the time the order took effect.

The initial rate of fare was fixed at seven cents, 10 tickets for 65 cents.

NOTE.—At the instance of the City authorities, the Receivers of the Company consented, with the approval of the United States District Court having jurisdiction, to a trial period of three months from April 1, 1920, under a six-cent fare, it being provided that if insufficient revenue was secured under such rate then at the end of the three-month period the fare should go to seven cents, ten tickets for sixty-five cents, and if at the end of the next three months such fare provided insufficient, the regulation of fares under the terms of the order should proceed. The order of the Commission was accordingly modified to this extent.

2.—HOW FIXED**CLEVELAND**

The rate of fare, within the limitations fixed by the Grant, is regulated by the Condition of the Interest Fund, except when the City and Company agree, or a Board of Arbitration decides, that the fare should either be increased or decreased, irrespective of the condition of the Fund. (Sec. 22.)

The Interest Fund, was inaugurated by the Company providing the sum of \$500,000, made by the terms of the Grant a part of Capital value and maintained separately from the other funds of the Company, being credited with such interest as it may earn. (Sec. 16 (b), Sec. 18.)

To this fund is credited monthly all of the gross receipts of the Company remaining, after the payment of the Operating Allowance and the Maintenance, Renewals and Depreciation Allowance. (Sec. 18.) From the fund shall be paid:

- Taxes;
- Rentals;
- Return upon Capital Value;

Federal, State and Municipal Assessments against the stock of the Company;

Expenses of Arbitration in excess of \$5,000 for any six months' period. (Secs. 16, 17, 22.)

Payments from the Interest Fund for return upon Capital Value are Cumulative, and shall be paid without any deductions for any purpose. (Sec. 17.)

It is the intention of the Grant to keep the Interest Fund always at the normal sum of \$500,000. In Determining the amount in the Fund at any time, the accrued obligations for taxes and dividend payments, shall be proportioned over the various months as follows:

For January, seven per cent of the total payments; for February, six; for March, seven; for April, eight; for May, nine; for June, nine; for July, ten; for August, ten; for September, nine; for October, nine; for November, eight; for December, eight. (Sec. 22.)

Whenever the amount in the Interest Fund, less the proportionate accrued payments to be made therefrom, shall be less than \$250,000, this fact shall be *prima facie* evidence of the necessity of raising the fare to the next highest rate provided in the Schedule. (See F.1.)

Whenever the amount in the Interest Fund, less the proportionate accrued payments to be made therefrom shall be more than \$750,000, this fact shall be *prima facie* evidence of the necessity of lowering the rate of fare to the next lowest rate named in the Schedule. (See F. 1.) (Sec. 22.)

YOUNGSTOWN

The rate of fare in effect is controlled by the condition of the Stabilizing Fund. (Sec. 14-C.)

The Stabilizing Fund was inaugurated by the Company's providing the sum of \$100,000, less certain stipulated deductions for expenses in connection with the passage of the Grant. This \$100,000 is charged to Capital Value. To this sum is added the interest received thereon, either from the banks in which it is deposited, or the securities in which it is invested, and the sum remaining each month after the deduction from the Gross Receipts of the Company, the Operating Allowance, and the Maintenance, Repair and Renewal Allowance.

From it shall be deducted each month the monthly return on Capital Value and one-twelfth of the estimated yearly taxes. (Sec. 13.)

Also, such amounts as are needed to make up deficits in Gross Revenue, sufficient to cover the Operating Allowance and the Maintenance, Repair and Renewal Allowance. (Sec. 11.)

Also, the expenses of arbitration, in excess of \$1,000, for any period of six months. (Sec. 9-B.)

The Initial Rate of Fare provided in the Grant, shall remain effective, until at the end of any calendar month, the amount in the Stabilizing Fund shall either be in excess of \$150,000, or less than \$50,000. In the former event the next lowest rate of fare shall become effective, and successive lower rates shall become effective at the end of each calendar month, until the amount in

the Stabilizing Fund shall be below \$150,000, in which event the rate then in effect shall remain effective, until the amount in the Fund shall be less than \$50,000, or more than \$150,000, a lower or a higher rate, as the case may be, shall become effective.

In the latter event, the rate shall be successively increased at the end of each calendar month until the amount in the stabilizing fund shall be in excess of \$150,000, in which case the fare shall be decreased. The operation of the Stabilizing Fund is thus described in the Grant:

It being the intent of these provisions that by a regular and orderly monthly decrease of fare the amount in the Stabilizing Fund shall not be permitted to remain above \$150,000, and by a regular and orderly monthly increase of fare the amount in the Stabilizing Fund shall not be permitted to remain below \$50,000, and it being the further intent and purpose that the fare in effect at the time said Stabilizing Fund does not show an increase over \$150,000 shall remain in effect until such Stabilizing Fund is reduced to \$50,000, and that the fare in effect at such time as the Stabilizing Fund does not show a decrease under \$50,000 shall remain in effect until the Stabilizing Account shall exceed \$150,000. (Sec. 14-C.)

Free transportation is limited to motormen, conductors, line-men, shopmen, trackmen going to or returning from work, and all policemen, firemen and sanitary policemen of the city. (Sec. 14-D.)

CINCINNATI

The rate of fare in effect is controlled by the condition of the Reserve Fund. The intention of the Grant is to establish a fund, consisting of \$250,000, contributed by the Company and charged to capital account, together with such payments from Gross Earnings as will bring it up to \$400,000, which amount is known as the "Normal" condition of the Fund. Into the Reserve Fund is to be paid all surplus remaining after the payment of the items set forth in E-1 (Sec. 22 of Grant), and from it is to be paid any amount needed to make up any deficiency in these items, which deficiency is cumulative in the order named in the Grant. (Sec. 22-H.)

Two provisions are made for the regulation of fares, as follows:

Before the accumulation of the Normal Sum of the Reserve Fund:

If at any time the Gross Receipts shall not be sufficient to pay the items named in Section 22 of the Grant, together with any accruals of such expenses, fares shall be increased in accordance with the first step of the Fare Schedule. (F. 1; Sec. 20 of Grant.) If at the end of the next two months, or at the end of any subsequent period of two months, the Gross Receipts shall still be insufficient to pay such items, the fare shall each time be increased one step of the Fare Schedule. Such Increases shall continue at the intervals stated, until the Gross Receipts shall be sufficient to pay the aforesaid items, together with all accruals therein. (Sec. 22-H.)

After the Accumulation of the Normal Sum of the Reserve Fund:

If the amount in the Reserve Fund be increased to \$650,000, the next lowest fare of the schedule shall be put in force, and if at the end of the first two months thereafter, or at the end of any subsequent two months, there shall still be an accumulation in the Reserve Fund, the fare shall be reduced by like steps in the Fare Schedule until such accumulation ceases. (Sec. 22-H.)

If the amount in the Reserve Fund be decreased to \$250,000, then the next highest fare in the Fare Schedule shall be put in force, and if at the end of the next two calendar months, or at the end of any two calendar months thereafter, the Reserve Fund shall be still further reduced, the fare shall be increased by like successive steps until no further drafts from the Reserve Fund, for payments on account of the items mentioned, or accruals thereof, are necessary. (Sec. 22-H.)

BOSTON

The Company was required, before the act took effect, to provide the sum of \$1,000,000, through the sale of its preferred stock, to be used as a Reserve Fund. (Sec. 5.) This fund can be used only for making good any deficiencies in cost of service or for reimbursing the Commonwealth for moneys advanced to meet such deficiencies. (Sec. 8.)

Into the fund is paid any surplus remaining after the cost of service is paid and from it is taken any amount needed to meet deficiencies in the cost of service. (Sec. 9.)

If at the termination of the period of public management and operation, the Reserve Fund shall contain less than the amount contributed thereto by the Company, the State shall pay to the Company the deficiency. If, on the other hand, there is a surplus in the fund, it shall become the property of the State, which shall distribute among the cities and towns served by the Company in proportion to the number of people in such cities and towns using the Company's service at the date of the termination of the period of public management and operation. (Sec. 13.)

If on the last day of any September, December, March, or June, the amount in the Reserve Fund shall exceed by thirty per cent. the amount originally established, and for the preceding three months income shall have exceeded the cost of service, the Trustees are required to put into effect the next lowest rate of fare in the fare schedule, and if on the same dates the amount in the fund shall be less than seventy per cent. of the original sum, and for the preceding three months income shall have been less than the cost service, they are required to put in effect the next higher fare. In like manner the fare shall continue to be increased or decreased, as the case may be, on succeeding quarterly dates. In determining the state of the Reserve Fund, money received from the State and paid thereinto, and for which the State has not been reimbursed, shall first be deducted. (Sec. 10.)

MASSACHUSETTS (General)

Before they are permitted to accept the Act, Companies are required to provide, through the sale of bonds, stock, or preferred stock, a Reserve Fund in amount not less than six per cent., nor more than twelve per cent. of the Company's gross earnings for the preceding year; the amount of the fund to be paid in over a period not exceeding two years, as the Public Service Commission may direct. The fund may be increased with the consent of the Commission. Until it is used, it may be invested in the bonds of the United States, Massachusetts, or any city or town thereof. (Sec. 3.)

The Reserve Fund as originally provided or afterwards increased is considered the "Normal" Reserve Fund. (Sec. 3.)

Into it is paid any surplus remaining after the cost of service has been paid, and from it shall be taken any deficit in the cost of service. (Secs. 3, 5.)

If on the last day of any March, June, September or December, the Reserve Fund shall exceed by thirty per cent. the Normal Reserve Fund, and during the preceding three months, income shall have exceeded the cost of service, fares shall within 30 days, by the Company be reduced to the next lower grade below the fare then in effect. (Sec. 7.)

If on the last day of any March, June, September, or December the Reserve Fund shall be less than seventy per cent. of the Normal Reserve Fund, and during the preceding three months, the income shall have been less than the cost of service, fares, shall, within 30 days, by the Company, be increased to the next higher grade above the fare then in effect. (Sec. 7.)

The Company, with the consent of the Public Service Commission, may put into effect the next higher or lower grade of fare at any time when the Reserve Fund is above or below the normal amount. (Sec. 7.)

X X *insert* MONTREAL

— A Contingent Fund is established by the setting aside annually of one per cent. of gross revenues until \$500,000, is accumulated, at which time such accumulation shall stop, to be resumed whenever, by reasons of payments for the purpose for which it is created, the amount in the Contingent Fund shall be below \$500,000. From this fund is taken any sum necessary to meet the payments for cost of service as enumerated in E-1, when Gross Revenues are insufficient, payments to be cumulative and in the order named. (Art. 92; Par. 5.)

If, in the judgment of the Commission, the condition of the Fund warrants the loan, the Company, when it is compelled to furnish new capital, must first borrow from this Fund, in which case the return of six per cent received by the Company for the money is paid into the fund. (Art. 92; Par. 3.)

Upon the termination of the Agreement, the Company shall repay any money so borrowed, and the Fund shall be divided,

30 per cent to the City, 20 per cent to the Company and 50 per cent to the Tolls Reduction Fund. (Art. 92; Par. 5.)

A Tolls Reduction Fund is established, by the setting aside of fifty per cent of the gross revenue, remaining after the payment of charges enumerated under E-1, and the one per cent of gross revenue provided for the Contingent Fund. When the Tolls Reduction Fund shall exceed \$1,000,000, the Commission may, and when it shall exceed \$2,500,000, the Commission must, reduce fares on the system. This is to be done by taking from the Tolls Reduction Fund an amount equal to one-quarter of the total amount in the fund at the end of the year preceding that in which the reduction is made, and adding it to Gross Revenue. Tolls shall thereupon be so reduced that gross revenue earned shall be lessened by an amount equal to the sum paid from the Tolls Reduction Fund into gross revenue, but not so as to prevent there being accumulated in Divisible Surplus an amount equal to seventy-five per cent of that accumulated during the preceding year. Annually thereafter, an amount equal to the first amount so taken shall be transferred from the Tolls Reduction Fund to Gross Revenues, until the amount remaining in the Tolls Reduction Fund shall be less than the amount taken, when such process shall cease. Fares shall not, however, be increased until it shall become necessary, as indicated in the following paragraphs. (Art. 92; Par. 6.)

If, in spite of its depletion, under the process described above, the Tolls Reduction Fund shall again increase until it shall contain in excess of \$2,500,000, there shall be a further reduction of tolls made in the same manner. (Art. 92; Par. 6.)

If in any year the Gross Revenues are insufficient to pay the charges enumerated under E-1, together with the one per cent provided for the Contingent Fund, and if that Fund be at the time less than \$300,000, the Commission shall transfer from the Tolls Reduction Fund to the Contingent Fund a sufficient sum to bring it up to \$500,000, including the payments of any accumulated deficits in the payments enumerated under E-1, or if there be not sufficient money in the Tolls Reduction Fund, to accomplish this purpose, then the fares shall be immediately increased in order to provide sufficient revenues to make the payments

enumerated under E-1, together with the one per cent of Gross Revenues paid to the Contingent Fund. (Art. 92; Par. 6.)

The Tolls Reduction Fund shall be held in trust for the patrons of the Company for the reduction of tolls and shall be administered by the Commission as provided in the Agreement. (Art. 92; Par. 6.)

If, in the judgment of the Commission, the condition of the Fund warrants the loan, the Company, when it is compelled to furnish new capital, must first borrow from this fund, in which case the return of six per cent received by the Company on the money is paid into the fund. (Art. 92; Par. 3.)

At the termination of the Agreement, the Tolls Reduction Fund shall become the property of the City, and the City shall repay any money borrowed therefrom if the City demands, and in the event that moneys are still due from the Company to the Fund it be deducted from the purchase price. (Art. 92; Par. 6.)

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EASTERN MASSACHUSETTS

The Act provides for two Fare Districts, the first consisting of the Company's lines north of Boston and the second of its lines south of Boston. The Trustees are further authorized to create, after hearings, further Fare Districts, within the two major divisions. They must allocate the cost of the service as between these various Fare Districts, on a basis which fairly distributes the cost and avoids the levying upon any such Fare Districts of costs incurred outside thereof. They are further authorized from time to time after hearings, to revise the boundaries of such Districts. (Sec. 15.)

During the war and for two years thereafter any City or town, by the action of a majority of its electorate, may, for the purpose of securing lower fares, assume all or any part of the difference in the cost of operation due to increased wages, supplies, or coal, over the average prevailing for the year ending July 1, 1914, as determined and allocated by the Trustees. In case a part but not all of the cities and towns in a Fare District, shall decide upon such contribution, the Trustees shall make such readjustment of fares as they shall consider equitable under the circumstances. No town may contribute for any one year an amount in excess of

one dollar for each \$1,000 of its preceding year's assessed valuation, and no city may contribute an amount in excess of fifty cents for each one dollar of its previous year's assessed valuation. (Sec. 15.)

From the \$1,000,000 which the Act provides shall be paid in for new securities by the holders of the securities of the Old Company, \$500,000 is set aside as a Reserve Fund (Sec. 8), to be used only for the purpose of making good any temporary deficiency in income pending an increase of fares. (Sec. 16.) Pending such use, the fund may be invested, in the discretion of the Trustees, in income producing securities, and income therefrom received shall be treated as a part of the general income of the Company. (Sec. 16.) Any surplus remaining in the revenue of the Company after the full cost of service has been paid shall be credited to the Reserve Fund. (Sec. 16.) In the discretion of the Trustees, the Reserve Fund may be increased from time to time, by the sale of the Company's Stocks, bonds and other evidences of indebtedness. (Sec. 17.)

If on the last day of any December, March, June or September, the amount in the reserve fund shall exceed by fifty per cent the sum of \$500,000, plus any increase made in the fund by the Trustees through the sale of the Company's securities and the income of the Company shall have exceeded the cost of the service for the preceding three months, the Trustees shall, within thirty days, put into effect a lower grade of fares. If at the same periods the reserve fund shall be less than half the sum of \$500,000, plus additions made by the sale of the Company's securities, and the cost of the service for the preceding three months shall have been more than the income of the Company, the Trustees shall, within thirty days, put into effect a higher grade of fares. The Trustees shall continue to increase or decrease fares, thereafter, in accordance with the condition of the Reserve Fund, as stated above. (Sec. 17.)

WESTERVILLE

The Rate of Fare is fixed by the condition at the end of each month of Working Capital. (Sec. 12.)

This fund is established by the provision by the Company of the sum of \$25,000, which is a part of Capital Value. Into the

fund is paid all receipts from passenger service, and all proportional receipts for freight originating or terminating on the Westerville line, as well as other receipts arising from the operation of this line. From it shall be paid all expenses enumerated under "Cost of Service." (See E-1.) (Sec. 13.)

The initial fare under the Grant was fixed at Grade (d), five tickets for 20 cents, 4-cent fare. A monthly report of the condition of Working Capital is submitted to the Commissioners by the Company. Upon the receipt of such a report showing that the amount in Working Capital equals or exceeds \$35,000, the Commissioners shall lower the fare. If the report so filed with the Commissioners, shows that Working Capital is \$15,000 or less, the Company may order an increase in fare. (Sec. 12.)

DALLAS

The Grant provides that whenever, the rate of return permitted has been paid and the Accident Reserve and the Repair, Maintenance and Depreciation Reserves are not less than "normal," and the Surplus Reserve shall exceed "normal" by fifty per cent., then the next lowest item of fare provided in the schedule of fares shall be put in effect. If at the end of six months, the return having been paid and the Accident and Repair, Maintenance and Depreciation Reserves being at not less than "normal," the Surplus Reserve, still exceeds normal by at least thirty per cent., then the fare shall be further reduced to the next rate in the schedule; and fares shall be reduced at six months' intervals, thereafter, providing rate of return has been paid and the Accident and Repair, Maintenance and Depreciation Reserves are at "normal," until the Surplus Reserve shall be less than ten per cent in excess of "normal." The return provided for in the Grant is cumulative to the extent that fares cannot be reduced until arrears in return have been made up. (Sec. 25.)

Whenever the Surplus Reserve is less than fifty per cent of "normal," the Company may increase its fares to the next highest rate in the schedule of fares provided in the Grant, and if at the end of six months the Surplus Reserve is less than eighty per cent of "normal," it may put the next highest fare in effect, and so continue to increase fares (but, for rides within city

limits, not higher than the highest rate named in the schedule) at six-month intervals until the Surplus Reserve equals ninety per cent of "normal," after which it may not again increase fares, until the Surplus Reserve is less than fifty per cent of "normal"; except that where the Company, after protesting that extensions, or service ordered by the Board of Commissioners will jeopardize its ability to earn its stipulated return at the maximum fare, has been ordered by a Board of Arbitration to make such extensions, or perform such service, it shall, if less than the maximum fare be in effect, have the right to put the maximum fare in effect, and such maximum shall not be reduced for at least six months and then only in the manner provided for other reductions. (Sec. 25.)

MEMPHIS

All revenues of the Company remaining after the cost of the service as defined by the Commission's order have been paid, are placed in the Fare Index Fund. From this Fund shall be paid all deficits as between revenue and the cost of the service.

Whenever on January 1 or July 1 of any year, there shall be a balance in the Fund in excess of \$200,000, and such balance shall have been increasing during the preceding two months, fares shall be reduced to the rate in the schedule next lower to that in effect: if on the same dates the balances in the Fare Index Fund shall be less than \$60,000, and such balance shall have been decreasing during the preceding two months, fares shall be increased to the rate in the schedule next higher to that in effect.

In the event that the balance in the Fare Index Fund continues to increase for two successive months after a decrease in the rate of fare, or continues to decrease for two successive months after an increase in fares, then the Commission may put into effect an emergency change of rate without waiting for the succeeding regular date of January 1 or July 1.

G. TRANSPORTATION OF FREIGHT, EXPRESS, ETC.**CLEVELAND**

No provisions.

YOUNGSTOWN

Permission is granted to carry freight upon the interurban and suburban cars of the Company, which may make "reasonable charges" therefor. It may carry mail for the United States Government. It may operate funeral, observation and other special cars and express passenger service, the rates therefor to be fixed by agreement with the City, but no lower than the rates provided in the ordinance, and it may transport such supply cars for its own use as are needed in the maintenance, construction and operation of its road. Freight cars shall be of a type approved by the City, and operated at such times of the day and night as the City may direct.

CINCINNATI

The language of the Grant, relative to the transportation of freight and express, is as follows:

"If and when the Companies may be authorized by law so to do, they may transport along and upon the routes, and all new, additional, changed and extended routes, freight, express matter and packages, and charge and collect, from time to time, reasonable rates therefor, but such transportation shall not be permitted to interfere with or delay passenger traffic. (Sec. 20.)"

The Company is required to file a schedule of rates for freight and express service with the Director of Street Railroads, and may change such schedule from time to time, filing new schedules. Schedules become effective 30 days after the date of filing, except that the Director may, for good cause, allow them to become effective sooner. When objection is made by any person or persons to the Company's schedule, the Director shall upon notice to the Company hold a public hearing, and shall decide thereafter the charges to be made. The charges so fixed shall be binding upon the Company, at the end of thirty days, unless within that period

the Company shall begin in a court of competent jurisdiction proceedings to enjoin such charges on the ground that they are unreasonable. (Sec. 20.)

BOSTON

No provisions are made for the transportation of freight, express, etc., such matters being under the jurisdiction of the Trustees. (Sec. 2.)

MASSACHUSETTS (General)

No provisions.

MONTREAL

"The Commission may allow the Company to carry freight over all or any part of the territory of the City as it now exists and as it may hereafter be enlarged, as well as over all or any part of the territory outside of the City, provided that such transportation of freight shall not, in any way, interfere with nor hinder the transportation of passengers, or the carrying out of any work, or the transportation of garbage, waste, rubbish or snow, which the Company may be called upon to undertake for the City under the present contract." (Art. 83.)

If permission to carry freight is granted, the Commission shall determine the routes on which freight shall be transported, specify the hours during which freight cars shall run, fix the tariffs, so that they shall not burden the passenger tariff, establish rules for the transportation of freight, which when approved by the Quebec Public Utilities Commission shall be binding, determine the commodities which may be transported and order the establishment of loading and unloading places. (Art. 83.)

The transportation of live stock, carrion or manure or other offensive substances can be effected only in cars approved by the Board of Health of the Province of Quebec. (Art. 83.)

The Company is granted the right, irrespective of the Commission, to transport for itself or for the City, material used in the construction of its lines, or for construction work being done by the City or any municipality served, including surplus from excavations made in the pursuance of such work. (Art. 83.)

The Commission may not authorize the Company to permit its freight cars to remain stationary in the streets for the purpose of

unloading or loading, except when used in the work of the Company, City, or any municipality served by the Company. (Art. 83.)

EASTERN MASSACHUSETTS

No special provision is made for the transportation of freight, express, etc., the matter being within the jurisdiction of the Trustees and the Public Service Commission.

WESTERVILLE

There are no provisions as to the transportation of freight and express, except that receipts from freight originating or terminating on the Westerville line, shall be credited to Working Capital. (Sec. 13.)

DALLAS

"No cars for the carriage of freight or express (other than for the use of the Grantee) shall be operated by the Grantee over any part of its system, unless formal consent be given by the City by resolution or ordinance of the Board of Commissioners. Such resolution or ordinance may provide such regulations relating thereto as the Board of Commissioners may deem necessary." (Sec. 32.)

MEMPHIS

No provisions.

H. SPECIAL PROVISIONS

When Grant Expires:

BOSTON

When the period of public management and operation expires, the Company is given the right to fix its own fares, so as to provide for the cost of service, including a six per cent. return upon the par value of its common stock outstanding, and may establish an automatic scale of fares, but the Commonwealth is released from its obligation to make up deficiencies in the cost of service. The Company shall under such conditions be subject to such regulation as the Legislature may decide upon, but such regulation shall not be exercised so as to reduce its income below the reasonable cost of the service as defined in the Act. (Sec. 15.) But

this provision is declared not to be a contract binding upon the Commonwealth. (Sec. 18.)

MASSACHUSETTS (General)

Acceptance of Act:

A Company desiring to accept the Act, applies to the Public Service Commission, for a determination of its Capital Investment, and the approval of its unfunded debt. Upon the determination of Capital Investment and approval of unfunded debt, the Act may be accepted by the filing with the Commission, an acceptance, authorized by a vote of at least a majority of its capital stock, and evidence that the Reserve Fund and Improvement Fund has been raised or will be raised. (Secs. 4, 12.)

The Public Service Commission may permit a Company to begin operation under the Act before its Capital Investment has been determined, provided the other provisions of the Act have been complied with, but there shall be no distribution of dividends on common stock, until such determination of Capital investment has been made. (Sec. 12.)

MONTREAL

Control Outside City:

The present agreement annulled the privileges, rights and franchises which the Company held in the City, and "the privileges, rights and franchises which it possesses or will possess in other territories for the same purpose shall be annulled by the mere fact of the annexation of such territories to the City, which territories shall then be subject to the present contract." (Art. 24.)

"All provisions of the contracts, compacts or agreements passed between the Company and any municipal corporation outside of the City, inconsistent with the provisions of this contract, shall be and shall remain without effect from the coming into force of the present contract." (Art. 95.)

In specific provisions, the Commission is given control of fares, service, betterments, extensions and improvements outside of City.

f
Guarantee Fund:

Within five years after the coming into effect of the agreement, the Company is compelled to provide out of its own resources, by which is meant those outside the jurisdiction of the Commission, the sum of \$500,000 in yearly installments of not less than \$100,000, the total to be known as the guarantee fund. This is to be used to meet all liabilities and debts, other than mortgage debts, incurred by the Company before the agreement took effect, to pay for any excess in expenditures over 102½ per cent. of the operating allowance, when required by the Commission; to pay any penalties inflicted upon the Company for failure to conform with the Commission's orders and to guarantee the fulfillment of the terms of the agreement. The fund is at all times to be maintained by the Company at \$500,000, and shall be deposited in some bank or chartered trust company, so as to be readily available. The interest on the fund is the property of the Company, and at the termination of the agreement the amount in such fund shall be the property of the Company. (Art. 92.)

Labor:

"The Company shall not, directly or through any other person, do anything to prevent its employees from organizing a labor union authorized by law. Each class or category of employees may form a separate union. (Art. 88.)

"The employees of the Company shall be entitled to one day's rest per week, the same to be fixed by the regulations of the Company." (Art. 88.) *x*

EASTERN MASSACHUSETTS

At Expiration of Public Management:

"After the expiration of the ten-year period of management and operation of Trustees as herein provided for, the New Company shall have all the powers and privileges and be subject to all the liabilities and restrictions of a street railway organized under the general laws now or hereafter in force, and with the consent of the Public Service Commission, may exercise any additional powers and privileges conferred by special acts applicable to the Bay State Street Railway Company, until the General Court shall otherwise provide." (Sec. 18.)

Apportionment of Stock and Bonds:

The general laws of Massachusetts provide that a street railway company shall not issue or sell bonds in excess of capital stock. In the case of the special issue of serial bonds, authorized by the Act, and in the case of equipment, notes, payable serially in not more than fifteen years, this provision of the law is waived. (Sec. 7.)

Bond Discount:

The Act provides for the sale of bonds at a discount, such discount to be amortized as the Trustees, with the approval of the Public Service Commission, may determine. Such discount shall be deducted from the amount of bonds outstanding for the purpose of determining the proportion between bonds and stock, which, under the general laws of Massachusetts, must, in the case of street railways, be equal. (Sec. 7.)

MEMPHIS

Traffic Survey:

The Company is directed, if the city of Memphis so elects, to co-operate in the making of a traffic survey, the cost of which is to be borne, one-half by the city and one-half as a cost of the service. The purpose of such survey is to determine if service can be improved and its cost lessened and the report is to be submitted to the Commission for such action as it may decide to take in relation thereto.

Skip-stop:

Subject to such modifications as may be agreed upon by the City and the Company, the order directs that the skip-stop plan in force previous to the making of the order be continued.

SERVICE AT COST PLANS NOT IN EFFECT

An Identical Analysis of Ordinances and Agreements which Have Been Proposed in the Cities of Chicago, Philadelphia, Denver and Minneapolis, but which for Various Reasons Have Not Become Operative.

In addition to the cost of service agreements at present effective in ten cities of the United States and Canada, similar agreements have been prepared to cover the operation of electric railway systems in several other cities, but for various reasons have not been put into effect.

Agreements proposed in Chicago, Philadelphia, Minneapolis and Denver are analysed and summarized in the following pages.

The object of the Chicago ordinance was to provide for the construction by the City of a subway system, the consolidation of the surface and elevated lines into a unified system and the operation of all local transportation lines, including the City-owned subways by a single company, organized for that purpose and not having "pecuniary profit" as an object. The Ordinance was adopted by the Chicago City Council on August 14, 1918, by a vote of 48 to 20 and was vetoed by Mayor Thompson a few days later. On August 22, 1918, it was re-passed over the Mayor's veto by a vote of 51 to 19. It was submitted to a vote of the people on November 5, 1918, and defeated. Opponents of the ordinance were recruited from public ownership advocates, from those who favored extension of elevated lines rather than the building of subways, as well as those who believed that the Initial Value of the property was too high and that the rate of return was too great. The cry that the adoption of the ordinance would mean an immediate increase in fares was also raised.

The Philadelphia ordinance which aimed to provide a unified system of local transportation for the City of Philadelphia, and its operation by the Philadelphia Rapid Transit Company, was supplementary to a contract entered into between the City and

the Company in 1907. It provided for the construction of transit facilities both by the City and the Company and the furnishing of equipment for both City and Company lines by the Company. It was adopted by the City Councils and approved by the Mayor on January 3, 1918. Approval by the Pennsylvania Public Service Commission was, however, necessary before the contract became effective. On January 15, 1919, the Public Service Commission disapproved the contract, mainly on the ground that it established a fare basis, and conceded certain preferentials to the Company, without a valuation of its property.

The Denver Service at Cost ordinance was drafted by a Committee of fifty-five, appointed by Mayor Mills in January, 1919, and representing all of the business, civic and labor organizations of the City. The appointment of the Committee was inspired by the desire to secure a satisfactory plan for determining rates and service, after the Colorado Public Utilities Commission had granted the Company a seven-cent fare as an emergency measure. A few days after the Committee was named the Colorado Supreme Court handed down a decision denying the Commission jurisdiction over the rates or service of public utilities in so-called "Home Rule" cities, of which Denver is one. The City Council, afterwards permitted the Company to charge a six-cent fare, which was insufficient and owing to wage awards made by the National War Labor Board an acute situation was presented. On August 22, 1919, the Committee of Fifty-five filed with the City a petition embodying the Ordinance, with the signatures of 16,150 citizens. The ordinance was passed by the Council and submitted to a vote of the people on October 22, 1919, when it was defeated by 235 votes in a total of 21,245.

At the same election, the Denver Elastic Six-cent Fare Ordinance, proposed by City Auditor Stackpole, which aimed to base fares upon the wages paid to its employes by the Company was defeated by 6,304 votes out of a total of 15,461. Some 100,000 were entitled to vote on these two propositions and the small vote recorded may be taken as indicative of the lack of interest manifested by the ordinary citizen in matters of the kind.

The Minneapolis Ordinance was an attempt to adjust transit conditions in Minneapolis in advance of the expiration of some

of the Company's franchises. It was fathered by the Street Railway Committee of the City Council and prepared by City Attorney C. D. Gould and Stiles P. Jones. It was passed by the City Council in September, 1919, and submitted to the voters on December 9, 1919, when it was defeated by a vote of 22,977 for and 30,549 against. The opposition to the ordinance was led by Mayor Meyers and the Socialist party. The Mayor announced himself in favor of service at cost, but disagreed with the valuation placed upon the Company's property, although this valuation was based on the estimates of the City Engineer.

A. GENERAL CONDITIONS

1.— LIFE

CHICAGO

The Grant expires only when the property of the Company is purchased by the City.

PHILADELPHIA

The Grant continues until July 1, 1957, unless —

Terminated by the City on account of default by the Company.

Terminated by reason of the purchase by the City of the property of the Company. (Art. 37.)

DENVER SERVICE AT COST ORDINANCE

The Denver Ordinance was neither a Grant nor a Franchise. It was an ordinance giving the City certain control over the service of the Company and prescribing a method for fixing fares. By its provisions it was declared to be binding upon both the City and the Company "for the remaining life of any of the Company's franchises," (Art. 17.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

For the remaining life of the Company's franchises. (Sec. 5.)

MINNEAPOLIS

Twenty-five years from January 1, 1920. (Sec. 2.)

2.—RENEWAL**CHICAGO**

No provisions.

PHILADELPHIA

Upon six months' notice, prior to the date of expiration, the City may renew the Grant as well as the 1907 Contract to which it is supplementary, for a ten-year period and may again renew it for a like period prior to the termination of any such extensions, by giving six months' notice. (Art. 38.)

DENVER SERVICE AT COST ORDINANCE

No provisions.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

There are no specific provisions covering the renewal of the Grant. The power to renew the Grant rests in the City Council, however. The Company is required by the terms of the Grant to continue to operate its City System after the Grant has expired under such reasonable terms and conditions as the City Council may impose. Such continued operation does not extend or renew the Grant, but the obligation of the Company to sell to the City at any five-year period is continued. (Sec. 2.)

3.—FORFEITURE**CHICAGO**

No provisions.

PHILADELPHIA

If the Company defaults in performing its obligations under the Grant, the City may —

Operate the Unified System under rates of fare provided by the Grant for the remainder of the life of the Grant on such terms as may be decided by the Court, such operation to be under the terms of the Contract, and by orders of the Court pending a determination of the rights of the parties or the curing of the default, and the property shall be restored to the Company as soon as the default shall have been cured or the Court shall so order; or

Enter into a contract with some third party to operate the Unified System, subject to the same conditions, as if operated by the City; or

Apply for the appointment of a receiver to operate the Unified System and at the same time ask for an order of the Court to protect the rights of the parties to the Grant; or

Apply for a cancellation of the Grant and the lease which is a part thereof; or

Avail itself of such other remedies as may be legally possible.

Any of these actions shall not invalidate the lien of bonds or other securities which the Company may have issued under the terms of the Grant. (Art. 30.)

DENVER SERVICE AT COST ORDINANCE

No provisions. The instrument if merely a rate regulation would presumably be revocable at the pleasure of the City Council.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions. The instrument if merely a rate regulation would presumably be revocable at the pleasure of the City Council.

MINNEAPOLIS

If the Company shall fail to comply with any of the terms and conditions of the Grant, and if such default shall continue for a period of ninety days (exclusive of all times during which the Company may be delayed or interfered with, without its connivance, by unavoidable accidents, strikes or court actions) after written notice of such default has been served upon it by the City, then the City Council may declare the Grant forfeited. In case, however, there shall be outstanding bonds issued in compliance with the provisions of the Grant secured by a lien against the property of the Company including the rights and privileges granted by the ordinance, the owners thereof shall be privileged to foreclose on the property, including such rights and privileges. The purchasers at such foreclosure sale shall be entitled to continue the operation of the property under the terms of the Grant including the right of the City to purchase and to forfeit the Grant for failure to comply with its terms, which forfeiture shall

be conclusive and shall terminate the rights and privileges of the purchaser thereunder as well as those of parties claiming thereunder. If the Company is unable to comply with the terms of the Grant for reasons beyond its control such as acts of God, strikes, war, riots or inability to obtain materials and supplies within the time specified, "if all reasonable diligence is exercised in ordering and purchasing the same," it is relieved of obligations under the Grant as to time of performance. (Sec. 32.)

B. MUNICIPAL PURCHASE

1.—BY THE CITY

(a) When Purchase Can Be Made

CHICAGO

On the first day of January, or the first day of July of any year after the Grant becomes effective, upon giving six months' notice in writing of intention to purchase. (Sec. 24.)

PHILADELPHIA

Under the 1907 Contract upon July 1, 1957, or upon any July 1, thereafter, provided that six months' notice be given to the Company. (Sec. 11, 1907 Contract; Sec. 37 of Grant.)

Under the additional rights conferred by the Grant, at any time after July 1, 1927, upon six months' notice to the Company of its intention to purchase. (Art. 27.)

DENVER SERVICE AT COST ORDINANCE

At any time after the taking effect of the ordinance upon six months' notice to the Company. (Art. 12; Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

During the life of the Grant, any extension thereof, or any continued operation of the system under the terms of the Grant, but

without an extension thereof, the City shall, upon giving one year's notice in writing of its intention, have the right to purchase at the end of each five or ten-year period. (Secs. 2 and 18.)

During the life of the Grant and any extension thereof the City shall have the right to purchase on January 1, of any year, providing that it has given the Company one year's notice of its intention so to do. (Sec. 18.)

Under its right of eminent domain, the City shall have power to purchase at any time. (Sec. 18.)

(b) Terms of Purchase

CHICAGO

The purchase shall include all property of the Company, including money and securities in the Special Funds created by the Grant, all receipts of the system, including amounts reserved for taxes and other operating expenses, less any amount needed to pay the items constituting Cost of the Service. (Sec. 24.)

The purchase price shall be the amount of the then Capital Account of the Company, less the amount of any outstanding and unpaid liens (except liens then callable, which shall be called and paid by the Company) subject to which the Company acquired the property, franchises and rights of the surface or elevated lines which comprise the system, which liens shall be assumed by the city. (Sec. 24.)

Upon the payment in cash to the Company, or the deposit of the purchase price in cash in the depositories named in the Grant, the City shall have the right to take over and possess the property. Liens under mortgages, deeds of trust or other instruments, made subsequent to the taking effect of the Grant, and rights of the holders of debentures or other obligations issued in part payment for the surface or elevated lines comprising the property, shall be paid out of such purchase price, such debentures or other obligation being subject to the lien of the aforesaid mortgages, deeds of trust or other instruments. (Sec. 24.)

PHILADELPHIA

The property, leaseholds and franchises of the Company, subject to its indebtedness, may be acquired by the City, upon the

payment to the Company by the City of an amount paid in upon its capital stock at the date of purchase, plus —

First, unpaid dividends on New Capital issued under the terms of the Grant, and

Second, accumulated unpaid dividends at five per cent per annum on all Capital Stock. (Art. 27.)

DENVER COST OF SERVICE ORDINANCE

The City may at its own election, purchase either the City lines of the Company, alone, or its City and interurban lines together. In the event that the City lines alone are purchased, the Company shall be awarded severance damages, fixed either by agreement between the City and the Company, or by arbitration, and in addition existing arrangements, for the use of tracks and facilities as between the interurban and City lines are continued. (Art. 12.)

The purchase price is the Stipulated Fair Value of the Company's property at the time of Purchase. (Art. 12.)

Stipulated Fair Value is defined as meaning the Basic (Initial) Value plus the total cost of additions, betterments and improvements made after the date of Basic Value, minus the value of property retired, both as defined by the Rulings and Uniform System of Accounts of the Interstate Commerce Commission, and determined from the records of the Company, authenticated by the Board of Tramway Control. (Art. 4, Sec. 2.)

Included in the property covered by the purchase price, are all amounts in the Renewal and Depreciation Reserve Fund and all surplus above the "normal" amount in the Fare Control Fund. If, however, the Fare Control Fund, shall be less than "normal," the amount of the deficit shall be added to the purchase price and paid to the Company. (Art. 12.)

In the event of purchase the property may be delivered to the City free and clear of all liens or incumbrances, in which case the full amount of the purchase price shall be paid to the Company in cash, or the City may assume certain mortgage liens, the face or par value of securities thereunder not to exceed the Stipulated Fair Value, and in such case only the difference between the value of such securities and the Stipulated Fair Value of the

Company shall be paid to the Company, while the value of such securities shall be set aside to discharge said mortgage liens. (Art. 12.)

In the event of purchase the City shall assume and carry out all contracts with other railway companies for the joint use of tracks and existing agreements for the purchase of supplies and equipment contracted for, and undelivered. (Art. 12.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The giving of notice by the Company of its intention to purchase constitutes an obligation upon the part of the City to buy and on the part of the Company to sell, which obligation may be enforced by mandamus or other appropriate legal proceeding. (Sec. 18.)

Upon the purchase of the property, the City shall assume and carry out all contracts for the joint use of tracks and for the purchase of undelivered equipment and supplies. (Sec. 18.)

The property shall be transferred to the City free and clear of liens or all other incumbrances. If, however, the City shall purchase the property prior to the retirement of any existing mortgage, the Company shall furnish satisfactory security that such mortgage shall be retired. If the City elects to require cash security, it shall assume the payment of the difference in interest charges as between the interest paid on the mortgage bonds and that required for the cash deposit, and such difference shall be charged as an operating expense. (Sec. 18.)

All unexpended balances in any Funds created under the provisions of the Grant, as well as cash on hands and bills and accounts receivable become the property of the City. (Sec. 19.)

The City assumes and shall pay all liabilities on account of damages and injuries to persons and property occurring subsequent to the taking effect of the Grant and prior to the conveyance of the property. The City shall fulfill all outstanding obligations and contracts of the Company and pay all bills and accounts payable, providing that such obligations have been incurred with

the approval of the City Council and further providing that it shall pay nothing on account of any sums claimed by the Company on account of payment of return. (Sec. 19.)

The price to be paid by the City to the Company for the property shall be:

The sum of \$24,000,000 (Value of property as of January 1, 1919); plus —

The sum necessary to retire securities issued, or debt incurred on account of the Stablizing Fund, and Capital Expenditures, and

Any accumulated deficiency in the items constituting the Cost of Service, except payments to the Company on account of return, and minus —

Capitalization retired with sums taken from the Amortization Fund, and

Loans made to the Company by the City or bonds guaranteed by the City and used for Capital purposes. (Sec. 19.)

If at the time of purchase the City shall have the legal power to assume the payment of existing mortgages or other liens upon the property, or to purchase the property subject to such mortgages or liens, it may elect to assume such mortgages or liens, in which case their amount shall be deducted from the purchase price. (Sec. 19.)

2.— BY LICENSEE OF CITY

(a). When Purchase Can Be Made

CHICAGO

No provisions.

PHILADELPHIA

At the same periods provided for purchase by City. (Sec. 11 of 1907 Contract.)

DENVER SERVICE AT COST ORDINANCE

No provisions.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

After January 1, 1925 (five years after taking effect of grant) at the same periods provided for purchase by the City. (Sec. 18.)

(b) Terms of Purchase**CHICAGO**

No provisions.

PHILADELPHIA

The City's right to purchase may be assigned to an individual, firm or corporation, and may be put up at auction and sold to the highest bidder, in which case the Company shall have a right to bid. The purchase by an assignee of the City shall be made under the same terms as those provided for purchase by the City. (Sec. 11 of 1907 Contract.)

DENVER SERVICE AT COST ORDINANCE

No provisions.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The Licensee must have lawful authority to acquire, own and operate street railways in the city of Minneapolis. (Sec. 18.)

The City may designate the Licensee only after receiving bids for the right to purchase said property, which bids may be based upon a lower rate of return, a reduction in Capital Value, or a cash bonus to the City. Bids may be received for operation under the terms of the existing contract or such contract as modified, but in the absence of a new contract, the bidder shall agree to take over the property subject to all existing terms and obligations, including the right of the City to purchase or to designate a purchaser. The City may reject any or all bids. (Sec. 18.)

A Licensee so designated shall acquire the right to purchase the property under terms and conditions provided for its purchase by the City, except that ten per cent shall be added to the purchase price as well as an amount that shall take into account the

sum or sums transferred to the Company or to the holders of its securities from the Amortization Fund. Licensee shall not add the ten per cent to Capital Value, but it shall be considered as a bonus to the City. (Sec. 18.)

C. CONTROL

1.—CORPORATE AUTONOMY

CHICAGO

The Grant provides for the organization of a Company for the purpose of consolidating the surface and elevated lines of Chicago, the building of additional surface and elevated lines and the construction of subways as well as the operation of subways built by the City, and the management and operation of the system so created, "not for pecuniary profit." The original Board of Nine Trustees is to be constituted by ordinance of the City Council approving previous selections and at the expiration of the term of office of each his successor is to be named by the Board from nominations made by the City Council. Practically all of the acts of the Board are prescribed by the terms of the Grant. (Sec. 1.)

PHILADELPHIA

"Nothing in this article (*providing for a supervising Board*) shall deprive the Company's officers and directors of the management of the Company's properties, nor shall anything herein contained be deemed a delegation to the Board of any of the powers vested in the Director (*Director of the Department of City Transit*) or the Commission. (*Pennsylvania Public Service Commission.*) * * *" (Art. 31, Par. 7.)

The Mayor, *ex officio*, and two citizens of Philadelphia to be chosen from time to time by the Councils, to serve for four years and till their successors are appointed, shall, as representatives of the City, be members of the Board of Directors of the Company, and as such exercise all the powers of directors, and vote upon all questions which may come before the Board, as if they had been elected by the stockholders of the Company, but without incurring any liability as directors. (Sec. 4, 1907 Contract.)

DENVER SERVICE AT COST ORDINANCE

No surrender of corporate autonomy is required by the terms of the ordinance. It is specifically provided that the purpose of the ordinance is "without prejudice or waiver of any contentions by the City and County of Denver or the Denver Tramway Company as to the validity, scope or duration of any franchise, grant or right of way." (Art. 14, Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

There are no specific provisions relative to Corporate Autonomy. The restrictions put upon the Company by the terms of the grant are concerned only with the operation of the Company as it affects the City of Minneapolis.

2.— OF SERVICE**(a) Within Municipality****CHICAGO**

"The Company by accepting this ordinance agrees to comply with all lawful regulations of the service of the said local transportation system which may be prescribed from time to time by the City." (Sec. 9.)

Certain enumerations of matters in connection with service are contained in the Grant and in addition the City reserves its full police power and the right to make regulations to secure the comfort, health, safety, welfare and accommodation of the public. (Sec. 9.)

PHILADELPHIA

Except as to stopping places, the establishment, omission or changing of which is placed entirely in the hands of the Supervising Board, the initial control of "rules and standards of maintenance, service, routing and adequacy and suitability of equipment" is with the Company, but the Supervising Board is empowered to "pass upon, adopt, and alter" the acts of the Company relative thereto. (Art. 31; Pars. 4 and 5.)

DENVER SERVICE AT COST ORDINANCE

The ordinance gives the City "control, regulation and supervision of the Tramway service on all routes of the City system, including the right to fix the schedules, transfer regulations and to fix, change and extend routes." It should be noted, however, that this control is vested in a body upon which the Company is represented. (Art. 3; Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The City reserves the right to control and regulate service and specifically to

Fix the type of cars,

Fix and amend schedules,

Control stops, routes, headway and speed,

Provide rules and regulations for heating, lighting, ventilation and sanitation. (Sec. 4.)

(b) Outside Municipality

CHICAGO

The rights conferred upon the Company by the Grant cover lines in the City of Chicago and suburban territory (but not outside the State of Illinois) extending not more than 20 miles from the City limits. (Sec. 1.) Before the Grant became effective, its confirmation by the Illinois State Legislature was necessary (Sec. 34) so that the control of the City would have extended to all lines operated by the Company.

PHILADELPHIA

No provisions.

DENVER SERVICE AT COST ORDINANCE

No provisions, but the "City System" is defined by the ordinance to include certain lines extending beyond the City limits. (Art. 1; Sec. 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The City exercises no control outside of City limits, except as to that part of the system in the village of Columbia Heights and on the Fort Snelling Military Reservation, which are included. Tracks on Park property are subject to reasonable rules and regulations of the Board of Park Commissioners. (Sec. 2.)

3.—EXTENSIONS, BETTERMENTS AND PERMANENT IMPROVEMENTS**(a) Definitions****CHICAGO**

Betterments and Extensions are defined to "designate and include all betterments, extensions, additions, equipment and other property (including original pavement of the right of way) acquired by the Company after the effective date of this ordinance, through construction, reconstruction, alteration, purchase or otherwise, as a part of or for use in connection with its local transportation system." (Sec. 3.)

PHILADELPHIA

There is no general definition. The Company was not removed from the control of the Pennsylvania Public Service Commission by the term of the Grant, so that the rulings of the Commission as to what constituted capital expenditures would prevail. The Grant was for the purpose of securing the operation by the Company of the rapid transit system to be built by the City, for its equipment by the Company and for the building of certain new facilities by the Company. There are in the grant specific provisions describing such facilities.

DENVER SERVICE AT COST ORDINANCE

It is provided that "Additions, Betterments and Improvements" shall be defined by the rulings and the Uniform System of Accounts of the Interstate Commerce Commission. (Art. 4; Sec. 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The Uniform System of Accounts of the Interstate Commerce Commission, except as they may be modified by the Grant or by subsequent City ordinances shall govern. The Company is obligated to set up in its books of accounts, the Standard Property Accounts of such I. C. C. System and with the advice and approval of the City Council allocate all expenditures for additions to property value among them. (Sec. 16.)

(b) Within Municipality

CHICAGO

The Grant and the Exhibit attached thereto (*Exhibit B.*) specify a number of Extensions, Betterments and Permanent Improvements which the Company is obligated to make to its System. A portion of these are specified to be made within a period of three years after the taking effect of the Grant, another portion in a period of three years after the first period of three years and others thereafter. They included additions to surface and elevated lines, subways for surface lines and other rapid transit facilities.

In addition the Company shall construct such additions to and extensions, both of rapid transit and surface lines as may "be required for furnishing adequate local transportation facilities and service under the principles and provisions of the ordinance." (Sec. 5.)

The Company need not, however, provide money either for the Extensions, Betterments and Permanent Improvements specified in Exhibit B, or others, if the Gross Receipts of the Company during the previous fiscal year have been insufficient to pay the Cost of the Service. (Sec. 10.)

Any work in connection with Extensions, Betterments, and Permanent Improvements involving an expenditure of more than \$5,000 shall be let by contract to the lowest responsible bidder, upon plans and specifications furnished by the Trustees and after 30 days advertising, bids to be publicly opened. (Sec. 6.)

The cost of Extensions, Betterments and Permanent Improvements shall include payments on account of injuries to persons or property occurring in connection therewith, as well as charges for the use of Company equipment, engineering and supervision. (Sec. 6.) When the Traction Fund is exhausted, all subway construction, both of those provided for in Exhibit B and others, be paid for by the Company and added to Capital Account or by the City through special assessment against property owners benefited. (Sec. 7.)

Plans, specifications and estimates for subways shall be prepared by the Trustees and the work done under their supervision, but contracts therefor shall be let by the City and payments therefor made by the City. If subways in addition to those specified in Exhibit B shall be deemed necessary by the Trustees they (the Trustees) shall submit plans, specifications and estimates therefor to the City Council, which may authorize such construction. (Sec. 7.)

After the City shall have expended the sums in the Traction Fund, the Company is required to furnish to it such sums as it may require for subway construction. The money so furnished shall be taken from Capital Account and shall be treated as a Capital Expenditure. (Sec. 7.)

The City may authorize the provision in specifications for subways the inclusion of galleries, corridors or other facilities for the use of City utilities, or utilities authorized to use such facilities by the City, but the Company shall not be required to furnish money for such construction, and no party shall have authority to use them unless it be granted by City ordinance. (Sec. 7.)

Upon the completion of any subway, or of a portion of a subway, which in the judgment of the Trustees may be advantageously used for operation, the Company shall proceed to operate trains in such subway and shall pay to the City an annual rental of six per cent on the cost of construction. Included in such cost shall be an allowance of three per cent upon all amounts paid by the City for construction, until operation begins, but the amounts furnished by special assessment of property owners, or by the Company, or for the construction of, or on account of the construction of galleries or facilities for other utilities shall not be included in the cost. (Sec. 7.)

The Company is required to renew, repair and maintain all subways or portion of subways used by it, and shall acquire no ownership therein, by reason of any payments made by it towards the cost of construction. (Sec. 7.)

The City Traction Fund has been accumulated through the division of receipts of the surface lines provided for in the Traction ordinances of 1907. It is defined by the Grant as consisting of the money that has, on the effective date of the Grant been paid into such Fund, any payments made into it thereafter under the Traction Ordinances, and payments made thereinto on account of subway rentals paid by the Company. It may be expended only for subway construction, including the provision of galleries and facilities of other utilities, and for the assessment against the city of public benefits arising from the opening and extension of two streets, which by the provisions of Exhibit B. are to be opened or extended. (Sec. 13.)

PHILADELPHIA

The principal object of the Grant is to secure a Unified Transportation System for Philadelphia. To this the City is to contribute certain subways and elevated lines and the Company its existing subway and elevated line as well as surface lines, the electrical equipment for the City system to be provided by the Company. The method in which the City lines, the Company lines and the equipment therefor shall be provided are set forth in considerable detail in the Grant. (Art. V-2.) The building of City lines is at the pleasure of the City. If they are built the Company must provide electrical equipment therefor, and if the City is unable to provide capital for cars, yards, shops, etc., the Company shall furnish such equipment, to the limit of \$3,000,000, provided it can secure money on terms approved by city councils and provided that the City shall (if legal) agree to purchase same from the Company out of the first money available, the expenditure to be later repaid by the Company.

The determination of what Extensions, Betterments and Permanent Improvements the Company shall build is left to the Pennsylvania Public Service Commission, the Company waiving

any objection to the jurisdiction of the Commission. In the event that the Commission refuses to assume jurisdiction, the Company shall obey the recommendations of the Supervising Board, subject only to its ability to finance them under the terms of the Grant. (Art. 4.)

The Company shall reasonably anticipate the growth of traffic and provide therefor. The facilities to be furnished shall be the best known to the art and replacements and renewals shall at least provide facilities equal to those replaced or renewed and shall in addition include such improvements as the state of the art may have developed. (Art. 6.)

Extensions, Betterments and Permanent Improvements shall be made in accordance with plans and specifications approved by the Supervising Board. (Art. 6.)

The cost of Extensions, Betterments and Permanent Improvements shall include the following:

Net cost in money of purchase or construction;

Net cost in money of administration, engineering, superintendence, legal services, insurances and damages;

Taxes, assessments and other governmental charges, paid or accrued before the beginning of its operation and such assessments for benefits during its operation as are in the opinion of the Board not chargeable to Gross Revenue;

Interest or dividend and sinking fund charges upon money used or securities issued to pay for the Extension, Betterment or Permanent Improvement, incurred prior to operation;

Cost of securing capital, including engraving and printing of securities, advertising, taxes, expenses of selling, and trustees' expenses in connection with the original issue of securities;

Expenditures for repairs, replacements or renewals made during construction, or after operation, which in the judgment of the Supervising Board, shall have been necessitated by faulty construction or design. (Art. 9; Par. 1.)

It is the duty of the Supervising Board to report to the City Councils as to the advisability, reasonableness and necessity of new lines, extensions, or equipment, and to review or compile estimates covering construction, operation and method of financing and to bring proceedings before the Pennsylvania Public

Service Commission to require the undertaking of Extensions, Betterments and Improvements by the Company. (Art. 31; Par. 3.)

The Supervising Board shall give hearings on all petitions for Extensions, Betterments and Improvements. (Art. 31; Par. 4.)

The Board is charged with the duty of inspecting all work and materials in connection with both construction and operation and must be afforded the facilities for such inspection by the Company. (Art. 34.)

DENVER SERVICE AT COST ORDINANCE

Capital expenditures exceeding in any one calendar year one-half of one per cent of the Stipulated Fair Value, may not be added to Stipulated Fair Value as affecting the cost of service, unless approved by a majority of the Board of Tramway Control. (Art. 3; Sec. 7.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The Company is required by the terms of the Grant to construct and put into operation during the first year in which the Grant is effective certain specified extensions. In addition it is required within the time determined by the City Council to construct and put into operation certain other specified extensions. (Sec. 7.)

Either the City or the Company may propose Extensions, Betterments or Permanent Improvements. If proposed by the Company they shall not be carried out unless approved by the City Council. Before they shall be ordered by the City Council or constructed by the Company, there shall be made under the direction of the Street Railway Supervisor, a careful survey of all material facts, including

The number of people to be served by such line or extension;

The estimated expense of construction and equipment;

An estimate of earnings for the immediate year and years;

An estimate of the effect upon the gross, net and surplus earnings of the entire railway system. (Sec. 7.)

When estimates of the cost of plans and specifications for Extensions, Betterments and Permanent Improvements have been approved by the City Council and filed with the Company, the Company may object on the ground that their carrying out would impair the payments of the cost of service, and the Company shall be entitled to a hearing before the City Council upon ten days' notice before any Extensions, Betterments or Permanent Improvements shall be ordered by the City Council. (Sec. 7.)

Within one year, or such other time as the City Council may decide, from the date of approval by the Council, the Company shall construct and operate the Extensions, Betterments or Improvements as ordered. (Sec. 7.)

If the Company refuses or neglects to construct extensions as ordered by the City Council, the City may itself make such extensions, under the direction of the City Engineer, the standard of the construction to be equal to that adopted by the Company for lines in similiar territory and for similiar service. The Company is required to equip and operate such extensions, the rate of fare, service and maintenance to be in conformity with that provided by the Grant for the rest of the System, compensation to be made to the Company on terms equitable both to the City and the Company. (Sec. 7.)

Upon Capital invested in such extensions the City shall receive the same rate of return, and under the same conditions, as is provided by the Grant for capital invested by the Company. (Sec. 7.)

The right of the City thus to construct and compel the Company to operate Extensions, does not release the Company from its obligations to construct Extensions, Betterments and Permanent Improvements, when ordered so to do by the City. (Sec. 7.)

After the first year of operation under the Grant, the Company may not be required to construct street railway tracks in a street that is less than 40 feet in width. (Sec. 7.)

Disputes between the City and the Company arising in regard to Extensions, Betterments and Permanent Improvements may be arbitrated. (Sec. 7.)

(c) Outside of Municipality**CHICAGO**

No provisions.

PHILADELPHIA

The Councils are empowered to stipulate the terms and conditions under which the Company may lease or operate lines outside the City and the Supervising Board is charged with the duty of recommending to the Councils terms and conditions in connection with such leases and operation. (Art. 31, Par. 11.)

There are no other provisions in the contract affecting control of Extensions, Betterments and Permanent Improvements outside the municipality, except that certain parts of the system extend outside, and over these the City exercises such control as is provided in the Grant for all lines.

DENVER SERVICE AT COST ORDINANCE

No provisions.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

City exercises control over certain specified lines outside of City and no others.

4.—CAPITALIZATION, FINANCES AND ACCOUNTS**(a) Ordinary Expenses****CHICAGO**

No provisions in the Grant. The Trustees have control.

PHILADELPHIA

Contracts covering the leasing of car and station advertising, news stands and other vending privileges, are subject to the approval of the Supervising Board. (Art. 17.)

Contracts for power are subject to the approval of the Supervising Board. (Art. 31, Par. 5.)

Terms and conditions under which the Company may grant permits for show windows, entrances or other easements, or privileges in connection with the operation of the system are subject to the approval of the Supervising Board. (Art. 31, Par. 5.)

Such control as is provided by the laws of the State is exercised by the Pennsylvania Public Service Commission.

DENVER SERVICE AT COST ORDINANCE

The Company shall submit prior to the last day of each calendar month, an estimate of the cost of service, total operations and gross revenues for the ensuing year. (Art. 3, Sec. 8.)

No operating expenses for any year, exceeding three per cent of the operating expenses for the preceding year, shall be added to the cost of service, unless they be approved by the Board of Tramway Control. (Art. 3, Sec. 7.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The City Council has the right to require the submission of an annual budget and supplements thereto, in which case no expenditures other than those detailed in such budgets as approved by the City Council shall be made. (Sec. 5.)

It is provided that the Company shall pay its general officers no higher compensation than that paid by other street railway companies "or other enterprises" of equal magnitude for work of the same general character. Differences between the City and the Company as to salaries may be arbitrated. (Sec. 30.)

The City Council may exercise such "reasonable control" over contracts for and purchase of supplies and payments on account of injuries and damages as will afford it protection. (Sec. 5.)

(b) Securities

CHICAGO

For the purpose of acquiring the surface and elevated lines as provided in the ordinance, the Company is authorized to assume liens against such property to the amount of not more

than the Capital Account of the Company as fixed by the Ordinance, (Note: The Capital Account fixes, in effect, the price at which such property shall be acquired), and to issue (to pay the difference between the amount of the liens assumed and Capital Account, which difference shall not be more than 40 per cent of Capital Account), debentures or other obligations, which shall not have the right of foreclosure nor bear any date or time of redemption, but shall be subject to call for payment under the provisions of the Grant, or, subject to the rights of lienors, at the time of purchase by the City. The manner of acquiring each of the properties is separately provided for. (Sec. 2.)

The Company is authorized to place upon its property a First and Refunding Mortgage or Trust Deed to secure bonds or interest bearing obligations to be issued for capital expenditures. In addition, such mortgage may secure (a) refunding bonds or interest bearing obligations, issued after the date when the Grant becomes effective; (b) refunding bonds or interest bearing obligations which were a lien upon the property at the date when Grant became effective, and (c) provide the Emergency Fund. In addition, the Company may place upon its property a mortgage or trust deed, subordinate to the First and Refunding Mortgage or Trust Deed, to secure bonds or interest bearing obligations which shall be used only for refunding or retiring (by payment or exchange) bonds or interest bearing obligations which were a lien upon its property at the time Grant became effective. No other lien shall be placed upon the Company's property. (Sec. 11.)

All New Capital obtained by the Company shall be through the sale of bonds, debentures or other obligations of the Company, to be sold after public advertisement and on the terms most advantageous to the Company. (Sec. 2.)

The return upon debentures issued for the payment of acquired property is fixed at eight per cent from the date when the Grant becomes effective until July 1, 1932, and thereafter at seven per cent. (Sec. 2.)

The interest to be paid on new bonds, debentures and other obligations of the Company is on the basis of the most advantageous returns obtainable after public advertisement and competitive bidding. (Sec. 2.)

PHILADELPHIA

When the Company desires to make capital expenditures, it shall submit to the City Councils a plan for raising such capital, and shall issue no bonds, stocks, or incur any guarantee or liability for carrying out such plan, until the plan shall be approved by the City. (Sec. 2, 1907 Contract.)

Funds for New Capital requirements shall be raised when possible from the sale of bonds, and stock shall not be issued except when bonds cannot be disposed of and then, only with the approval of the City. Such stock shall be fully paid for in cash at par. (Sec. 3, 1907 Contract.)

In case that preferred stock is issued, payments for the amortization thereof (amount of such payments not specified, but presumably to be controlled by City Council) to be made to the Sinking Fund Commission (See D-3.) to be held for the purpose of retiring said stock, and to be invested in such stock. (Art. 12.)

In case that bonds, debentures or notes are issued, payments for the amortization thereof (amount of such payments not specified but presumably to be controlled by City Councils) to be made to trustees for the issue, to be invested by them in the issue, provided that the same can be purchased in the market at a cost of not more than 105 per cent of the par value with accrued interest. (Art. 12.)

If securities cannot be purchased in accordance with the above provisions, the sinking funds shall be invested in such securities as may be legal investments for Trustees under the laws of Pennsylvania. (Art. 12.)

The Company shall not be held to be in default if it cannot secure capital under the terms approved by City Councils. (Art. 12.)

Subject to the approval of the Supervising Board, the Company may use Initial Surplus (See F-2.) for Extensions, Betterments and Permanent Improvements, for refunding or other capital requirements. (Art. 16.)

DENVER SERVICE AT COST ORDINANCE

No provisions.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The City's control over the issuance of securities by the Company is practically absolute as to securities protected by mortgage. It is provided that the Company may place upon its property and rights a blanket mortgage or deed of trust, to secure bonds to be used.

First, For refunding bonds or other interest bearing obligations which constituted a lien upon the property as of the date that the Grant became effective, and for providing for the Stablizing Fund;

Second, In such par value and amount as may be approved by the City Council, for the purpose of providing new capital. (Sec. 15.)

The indenture of mortgage or deed or trust shall not be limited as to the amount of bonds or other evidences of indebtedness that may be issued thereunder and shall provide that each series of bonds issued thereunder shall be co-ordinately secured. It shall further provide that bonds issued shall bear such rate of interest as the City Council may fix, and be sold at not less than the minimum price fixed by the City Council. (Sec. 15.)

Bonds issued under the blanket mortgage shall be issued in alphabetical series and each series numbered consecutively. A stipulated number of Series A. is set aside for the purpose of paying off the prior liens upon the property. If not so used they shall be cancelled and destroyed by the Trustee of the mortgage. (Sec. 15.)

If the bonds provided to be set aside for the retirement of prior liens cannot be sold at a rate of interest and a cost to finance, or exchanged for such prior lien bonds on a basis satisfactory to the City and the Company, then the Company may refund such prior bonds either before or at maturity, if it be advantageous so to do, and the refunding shall not disturb the lien by which such prior bonds or other evidences of indebtedness are secured. (Sec. 15.)

In case the prior bonds or other evidences of indebtedness are refunded, retired or refinanced through the bonds (Series A), provided by the Grant, then no securities shall be issued by the Company which shall be prior to the lien of the mortgage or trust deed securing such bonds. (Sec. 15.)

Stocks, bonds, notes, or other evidence of indebtedness, running for a longer period than one year, issued by the Company after the Grant takes effect, shall provide that they shall be callable on any annuity or interest payment date, upon terms and price to be recommended by the Company and approved by the City Council. (Sec. 15.)

Any mortgage or trust deed and securities issued thereunder, shall be subject to the provisions of the Grant, including the right of municipal purchase. (Sec. 15.)

The City Council may require the Company to sell its securities at public sale, and in any event they shall be sold in the manner and upon the notice prescribed by the City Council. (Sec. 15.)

In addition to the securities specifically authorized by the Grant, the Company may, with the approval of the City Council, issue equipment trust certificates in such amounts and on such terms as may be necessary to finance the operations of the Company. (Sec. 15.)

If the City and the Company cannot agree as to the rate of interest and cost of refinancing or refunding the prior bonds, or upon the terms upon which Series A bond shall be exchanged therefor, the matter shall be arbitrated. (Sec. 15.)

(c) Bookkeeping:

CHICAGO

The Company is required to submit to the City Comptroller on or before the 10th day of March of each year, an annual report covering the preceding year ending December 31. Such report shall be in writing, shall be sworn to by the Auditor of the Company and shall set forth in reasonable detail, the amount of business done by the Company, the receipts from and the expenses of conducting the Company's business. The City Comptroller or accountants authorized by him, acting under the direction of the Mayor or City Council shall have at all reasonable times access to the books, vouchers and records of receipts and expenditures of the Company for the purposes of verifying such reports and the rights of the City under the Grant. (Sec. 16.)

In addition there shall be an annual audit of the accounts of the Company by certified public accountants selected by the City

Comptroller and the Company and such accountants shall make a formal written report thereon, the expense of such audit to be paid as an operating expense. (Sec. 16.)

PHILADELPHIA

The method of keeping accounts is prescribed by the Pennsylvania Public Service Commission.

The Supervising Board shall prescribe the form of statements to be submitted at three-month periods in which shall be set forth —

Gross Revenues and deductions therefrom exclusive of expenses or fixed charges incurred prior to the date that the Grant shall become effective;

The amount of New Capital upon which the Company is entitled to a return, together with Sinking Fund payments for the period covered by the reports;

The Cost of Transit Facilities owned by the City upon which the Company shall pay rental, and the amount of such rental, as well as Sinking Fund charges, less any portion of such Transit Facilities withdrawn from rental and the amount of rental and Sinking Fund charges thereon;

The amount of Capital Stock of the Company authorized and issued, less any installments remaining unpaid on any shares.

Such statements must be certified by the Supervising Board and delivered to the City Comptroller. (Art. 23; Sec. 1.)

A complete audit of all of the accounts of the Company in the form prescribed by the Director of City Transit, shall be made by auditors appointed and paid by the City, as of the date when the Grant becomes effective, and thereafter the books and accounts of the Company shall be audited annually by accountants mutually agreed upon by the City and the Company, and such audit shall be published and submitted both to the City and the Company, the cost thereof to be paid out of Gross Revenues. For the purpose of the audit the City shall have access to the books, records and memoranda of the Company and may examine officers and employees of the Company under oath. (Art. 23, Sec. 2.)

If the public accountants or the City object to any charges appearing in the books of the Company, or the public accountants or the Company object to any charges appearing in the

accounts of the City as to the cost of the City's Transit Facilities, the Supervising Board shall have the power for the purpose of the contract, to determine the propriety of such charges. (Art. 23, Sec. 2.)

DENVER SERVICE AT COST ORDINANCE

All general accounts shall be kept in the manner prescribed by the Uniform System of Accounts of the Interstate Commerce Commission. (Art. 3; Sec. 9.)

The Board of Tramway Control may inspect and audit all receipts, disbursements, prices, payrolls, salaries of all officers, time cards, papers, books, documents and property of the Company "used and useful in the public service." (Art. 3; Sec. 5.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The Company shall keep its accounts in the manner prescribed by the Uniform System of Accounts of the Interstate Commerce Commission, as modified to meet the requirements of the Grant or subsequent ordinances. (Sec. 20.)

The Company shall furnish to the City Council sworn monthly report of earnings and expenses, and such other statements as the City Council may direct, and such statements shall be received as *prima facie* evidence before any court or other tribunal in any controversy between the City and the Company. The Company shall also furnish annual reports of operation and additions to Capital Value. (Sec. 20.)

The receipts and expenditures of the Company shall be audited annually by a certified public accountant selected by the City who shall submit a written report thereon, the expense of such audit to be borne by the Company and paid from the Gross Receipts. (Sec. 20.)

The books, records and accounts, of the Company shall at all times be open to the Street Railway Supervisor for the purpose of verifying statements and reports made by the Company to the City under the terms of the Grant. (Sec. 20.)

If either the Street Railway Supervisor or the certified Public Accountant disapproves of any voucher or expenditure, the manner of keeping accounts or other matters effecting the keeping of the books or records of the Company or the manner in which the Company complies with the provisions of the Grant, and the matter is not adjusted by the Company to their satisfaction, the matters in dispute shall be submitted to arbitration. (Secs. 5 and 20.)

5.—METHODS AND PRACTICES

CHICAGO

Expenditures for Extensions, Betterments and Permanent Improvements of more than \$5,000 shall be let by contract. (Sec. 6.)

The Company is required to keep such of its property fully insured in responsible insurance companies as is usually kept insured by similar companies. (Sec. 21.)

It is provided that the Company shall develop the "zone system of car operation" by means of which service on long through lines may be tapered off according to the traffic demands, by establishing short line terminal routes. (Exhibit B.)

The Company shall establish the skip-stop wherever possible. (Exhibit B.)

It is recommended that distance between the center lines of surface tracks be nine feet eight and one-half inches and that when transit tracks are laid on the surface the distance should be twelve feet. (Exhibit B.)

Grooved rails weighing 129 pounds to the yard shall be used on all new construction, except in streets not occupied by track at the time that Grant takes effect, where if the Commissioner of Public Works approves, high Tee rails may be used, but may not extend beyond the level of the pavement. (Exhibit B.)

Cast welded or electrically welded joints or a type which will give an equally smooth joint shall be used. Joints must have a current carrying capacity equal to that of the rail. (Exhibit B.)

A method of providing against electrolysis is provided. (Exhibit B.)

Detailed specifications as to paving are provided. (Exhibit B.)

General plans for the construction and equipment of power houses and auxiliary buildings are provided. (Exhibit B.)

All cars shall be of the double-truck type with a carrying capacity of at least 40 passengers. (Exhibit B.)

Rules and regulations for car heating and for car equipment are provided. (Exhibit B.)

PHILADELPHIA

The Supervising Board has the right to limit and revoke the right of the Company to permit the use of the City's cars and stations for advertising and vending purposes, and shall approve all contracts for such privileges. (Art. 17.)

The Company is obliged to keep insured against fire and other usually insurable accident or contingency, all property of the City's system to an extent to be determined by the Supervising Board and this may be effected, with the approval of the Board by establishing an Insurance Fund out of Gross Revenues. (Art. 25.)

The Supervising Board is given complete authority to inspect work and materials in connection with the operation and maintenance of both the City's and the Company's system. (Art. 34.)

DENVER SERVICE AT COST ORDINANCE

"The Board shall hear, determine and act upon all complaints criticism and suggestions as to Tramway service on the City lines which may not have been disposed of by the the Company." (Art. 3, Sec. 6.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The Grant covers the operation of surface cars on tracks only. (Sec. 2.)

The system shall be operated by overhead trolley or such other system as the City Council may approve. (Sec. 2.)

All construction work in streets, alleys and public places shall be done under the supervision of the City Engineer under regulations adopted by the City Council. (Sec. 2.)

The City Council may require the elimination of trolley poles and the suspension of trolley wires from wires attached to buildings, when permission can be secured from the owners thereof. (Sec. 2.)

The Company is required to construct and reconstruct its pay-as-you-enter cars, so that there shall be exits and entrances at both ends and through the sides. (Sec. 2.)

Tracks shall be laid substantially in the center of the streets and when but one track is laid it shall be placed in proper position for double track construction. (Sec. 27.)

Tracks in unpaved streets shall be laid with modern low tee rails weighing not less than 80 pounds to the yard and in paved streets with modern high tee rails weighing not less than 90 pounds to the yard. On curves and in special work, approved standard girder rail may be used. (Sec. 27.)

The Company shall at all times keep buildings, cars and other insurable property insured against fire in responsible insurance companies, or may with the approval of the City Council maintain an insurance fund for the purpose. (Sec. 29.)

The location of car barns, shops, waiting rooms and terminals shall be subject to the approval of the City Council. (Sec. 4.)

6.—USE OF TRACKS AND FACILITIES BY OTHER COMPANIES

CHICAGO

The Company may enter into contract with connecting suburban and interurban companies for the operation of freight and express cars of such companies over the Company's tracks, such contracts to be subject to the approval, by ordinance of the City Council. (Sec. 20.)

PHILADELPHIA

The City shall have the power to fix and the Supervising Board shall recommend, the terms and conditions upon which lines outside the City constructed by private capital may be leased or operated by the Company, and upon which such companies may use the Transit Facilities operated by the Company. (Art. 31, Sec. 11.)

DENVER SERVICE AT COST ORDINANCE

The ordinance contains no provisions as to the use of tracks and facilities by other companies, except that in the event of the purchase of the Company's property by the City, agreements for such use made by the Company and then effective shall be continued. (Art. 12, Sec. 8.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The City reserves the right to authorize the use of the Company's track and overhead by any suburban railway and to compel the Company to furnish power for its operation. Routes and schedules shall be fixed by agreement between the Company and such suburban railways. If they cannot agree, the City Council shall fix such routes and schedules. (Sec. 21.)

Compensation "representing not less than the reasonable value of the power furnished by the Company and a fair share of the cost of maintenance of the tracks and equipment, taking into account the advantages and disadvantages of the entry of said line into the city," shall be fixed by agreement between the Company and the suburban railway. If they cannot agree, the City Council shall fix it, and if either the Company or the suburban railway dissents from the amount fixed by the City Council, the matter shall be determined by arbitration, as shall other disputed questions arising over the use of such tracks and facilities. (Sec. 21.)

The City Council may at any time reroute cars of suburban railways so admitted and control and regulate the carrying of freight and express by such suburban companies. (Sec. 21.)

The Company is given the right to sell power to any of the properties included in the Twin City Rapid Transit Co., or to other suburban and interurban railways, at a price which shall at least equal the cost, including all overhead charges as specified by the Grant. (Sec. 25.)

The Company has the right to have its cars repaired in the car shops of the St. Paul City Railway Company, and shall pay for

such work the actual cost thereof, including a fair allowance for overhead. (Sec. 25.)

7.—MACHINERY OF CONTROL

(a) Power, Where Lodged

CHICAGO

The control and management of the Company is lodged in the Board of Trustees subject to the provisions of the Grant and certain powers and authority remaining with the City Council, with the City Engineer and the Commissioner of Public Works of the City.

PHILADELPHIA

Control, under the Grant, is variously distributed. The Pennsylvania Public Service Commission has control over fares and over Extensions, Betterments and Permanent Improvements to Transit Facilities owned by the Company; The City Council has control over Extensions, Betterments and Permanent Improvements connected with the Transit Facilities owned by the City; the Supervising Board has control over service, maintenance and the details of operation. (Art. 31.)

DENVER SERVICE AT COST ORDINANCE

Control is lodged in the City, to be exercised by the Board of Tramway Control. (Art. 3, Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

Power to increase or decrease fares in relation to increases or decreases in wages, is lodged in the City and exercised by the Board of Control.

MINNEAPOLIS

The power of control and regulation is lodged in the City, to be exercised as to matters connected with work in the streets by the City Engineer, with the operation of the system through parks by the Board of Park Commissioners, and as to all other matters by the City Council. The City Street Railway Supervisor acts in an advisory and administrative capacity only. (Secs. 2, 4, 5, 27, etc.)

(b) Administration**CHICAGO**

The affairs of the Company, which company shall not be for "pecuniary profit," are administered by a Board of nine Trustees. These shall be residents of Chicago or the suburban territory in which the Company is permitted to operate, shall be men of business ability, public spirit and qualified to direct the affairs of the Company, shall not own any of the bonds or other obligations of the Company or be financially interested in it except in a fiduciary capacity and shall receive no other salary than that provided and permitted by the Grant. The first Board shall be named in a resolution of the City Council and shall hold office without classification until December 31, 1927. Prior to that date, however, they shall be divided, by lot or otherwise into three classes of three each. The first class shall hold office until December 31, 1928; the second class until December 31, 1929, and the third class until December 31, 1930. Their successors shall be elected for terms of three years. The election shall be by the Company from a list presented by the City Council. Vacancies by death, resignation, removal, or otherwise than by expiration of the term of office shall be filled by the Board. (Sec. 1.)

The Company agrees not to change its charter or method of selecting Trustees, without the consent of the City. (Sec. 1.)

The salaries of the Trustees shall be \$5,000 each, annually, but in addition to their salaries as trustees they may receive other compensation for acting as officers of the Company, or members of the Executive Committee of the Board, which Board shall have direct charge of the operation and management of the System. (Sec. 1.)

PHILADELPHIA

The Supervising Board shall consist of three members, the Director of City Transit, who shall represent the City, a member to be appointed by the Company, and a Chairman to be appointed by the Mayor of Philadelphia and the President of the Company, for a term of four years. If the Mayor and the President fail to agree upon Chairman, the Board shall function with two members, and in case of disagreement, a temporary arbitrator

shall be appointed by the two members of the Board. If these fail to agree upon the appointment, either the City or the Company may upon five days notice apply to the Pennsylvania Public Service Commission, which shall then make the appointment. The arbitrator shall be skilled in the matter concerning which there is disagreement. The Board shall maintain an office in the City of Philadelphia, shall employ necessary assistants and incur necessary expenses, and fix the salaries of such assistants and employees. The salaries of Board members shall be fixed at the time of their appointment, that of the City Member to be fixed by the City Council, that of the Company Member to be fixed by the Company and that of the Chairman to be fixed by the Mayor and the President of the Company. The salary of the City Member shall be paid by the City; all other salaries and expenses shall be paid, either out of Gross Revenues as an operating expense or out of Capital Account, in a proportion to be determined by the Supervising Board. (Art. 31, Secs. 1 and 2.)

DENVER SERVICE AT COST ORDINANCE

The Board of Tramway Control consists of three members, one appointed by the Mayor, for a term coincident with that of the Mayor, one appointed by the City Council for a term of five years, and one appointed by the Company to serve at the Company's pleasure. The members appointed by the Mayor and the City Council shall be taxpayers in and residents of Denver for at least five years, shall own none of the securities of the Company or its affiliated or subsidiary companies, shall not have any business connection with the Company and shall be qualified by education, training and experience to discharge their duties. Vacancies shall be filled in the manner of the original appointment within fifteen days of the date of such vacancy and if not so filled by the party having the appointment, shall be filled by the other two members of the Board. The Mayor, City Council and the Company shall determine the amount of compensation of the members of the Board to be paid together with the expenses of City supervision, as a cost of service, but such compensation shall not exceed \$500 a month. The decision of any two members shall be the decision of the Board. (Art. 3.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

A Board of Control consisting of three members, each with a term of four years, subject to removal by the appointing power shall be appointed as follows: One by the Mayor, one by the City Council and one by the Company. Vacancies to be filled in the manner of the original appointment. If compensation is to be paid, each of the appointing powers shall determine and pay the compensation of the member appointed by it. The appointees of the Mayor and the City Council may be City officers, if the appointing power so desires. The Board may at all times act by a majority of its members. (Sec. 4.)

MINNEAPOLIS

All orders or requirements of the City Council as to matters affecting the service of the Company, shall be made in writing, and shall become effective twenty days after notice has been served upon the Company, unless within ten days after the serving of such notice, the Company shall file with the Street Railway Supervisor, or other City officer designated by the City Council, objection thereto. In case such objection is filed, the City Council shall at the end of ten days or as soon thereafter as convenient, hold a public hearing at which the Company shall be heard. Orders made after such hearing and all orders to which the company files no objection shall be binding upon the Company and enforceable. Objection may be made to orders of the City Council by the Company, on the grounds that they impair the cost of service. (Sec. 4.)

Pending action of the City Council, the Street Railway Supervisor may temporarily approve changes in schedules and routes, but such changes shall remain in force until changed by the City Council. (Sec. 4.)

The City Council may require the Company to submit 45 days prior to the first day of any year, a budget of operating expenses, and the Company may thereafter any time file supplementary budgets thereto. The City Council is required within 20 days after the receipt of such budget or supplements to approve or disapprove them and in case of disagreement the matter shall be arbitrated. (Sec. 5.)

In relation to Extensions, Betterments and Permanent Improvements see C.-3.-(b).

The City Council shall appoint a City Street Railway Supervisor who shall act as the technical advisor to the Council, and who shall either be experienced in the operation of street railways, or have a "broad general knowledge of the business" and other special qualifications for the work. The salary and expenses of the Supervisor shall be paid by the City, and the Company shall reimburse the City therefor. He is authorized to appoint such assistants as he may deem necessary, subject to the approval of the City Council. His salary and those of his assistants shall be fixed by the City Council, which shall also provide him with suitable quarters. Vacancies in the office are filled by the Council, which may designate any officer or employee of the City to act in his stead, pending the filling of the vacancy. (Sec. 5.)

The City may enforce its orders as to service by any suitable proceedings and is specifically empowered to impose penalties by fine and imprisonment and to enforce its orders by mandamus and injunction. (Sec. 4.)

In the case that the Company fails, neglects or refuses to comply with any order of the City Council, requiring it to continue to operate any existing line, or to construct, equip or operate any new line, the return to the Company on Initial Value shall be reduced to six per cent and the return over and above the actual interest on Added Value shall be withheld from the date of completion fixed in the order until such time as the order shall be complied with, not including, however, such time as may have been consumed in arbitration. If the Company shall have acted *willfully or in bad faith* in such refusal, failure or neglect, then the time consumed in arbitration shall not be deducted from the time during which the reduction in return shall prevail. Sums so deducted from return shall be paid into such of the funds provided by the ordinance, as the City Council may direct. Deductions so made shall be considered by both the City and the Company, as liquidated damages for such refusal, failure and neglect. (Sec. 10.)

For provisions as to forfeiture of the Grant, upon neglect of the orders of the City Council see A.-3.

It is provided that the provisions of the Grant providing for enforcement shall be additional remedies only and shall not prevent the City or the Company from resorting to the Courts and enforcing rights, duties and obligations by mandamus, injunction, or other appropriate legal measures. (Sec. 33.)

(c) Powers and Duties of Administrative Body or Officers

CHICAGO

The entire control and management of the Company and its affairs is vested in the Board of Trustees, which Board is governed and restricted by the provisions of the Grant and general police powers of the city. (Sec. 1.)

PHILADELPHIA

The Supervising Board

Shall report to Councils on the advisability, reasonableness and necessity of Extensions, Betterments and Permanent Improvements, including the review of cost estimates presented by the Company, or the compilation of such cost estimates, and the review or preparation of plans covering the financing of the cost of Transit Facilities provided by the Company;

Shall examine and certify the tri-monthly financial statements required of the Company. (Sec. C.-4.-(c));

Shall take proceedings before the Public Service Commission to compel the construction of Extensions, Betterments and Permanent Improvements in connection with the Company's system;

Shall approve or disapprove plans for the construction of Transit Facilities either by the City or the Company, and shall inspect work and materials provided by the Company therefor, except that the Board may not alter the location or curtail or postpone the construction of any line which has been authorized by the City, by a vote of the people, or ordinance of the City Councils before the Grant takes effect or which may be so authorized thereafter;

Shall pass upon, adopt or alter, rules and standards for maintenance, routing, and adequacy and suitability of equipment;

Shall approve the terms of contracts for power;

Shall approve the term under which the Company may grant permits for show windows, entrances and other easements, or privileges in connection with the operation of Transit facilities;

May establish, omit or change stations and stopping places;

Shall file with the Pennsylvania Public Service Commission schedules of fares and charges in compliance with the terms of the Grant;

Shall decide upon the amount and the investment of Depreciation Funds;

Shall check and approve the amount to be set aside from gross revenues annually for damages incurred by the Company, which amount shall represent the damages paid and for which the Company is liable;

Shall require the Company to have legally determined its liability for any item concerning which the Board is in doubt, included in operating expenses, taxes and other public charges, or fixed charges, which are to be paid from Gross Revenue. In such determination the City is empowered to intervene, or to make the original application, in which application the Company agrees to join;

Shall act as a Board of Arbitrators in case of disagreement between the City and the Company, under the provisions of the Grant;

Shall recommend to City Councils, the terms and conditions upon which the Company shall lease or operate lines constructed by private capital outside the City, and the terms and conditions which outside companies may use the facilities of the Company. (Art. 31; Sec. 3.)

Shall hold public hearings on all petitions for new lines and extensions, additions to Transit Facilities, proposals to change fares, petitions for routing, re-routing or through routing, and such other matters as the Councils may direct. (Art. 31; Sec. 4.)

Shall select the depositories for the Trust funds over which the Board has control, which funds shall be annually audited by

public accountants selected by the City and the Company. (Art. 31; Sec. 5.)

The Board shall act through the decision of two of its members, except that if there be no Chairman and an Arbitrator be appointed, the decision of the Board in the matter to consider which the Arbitrator was appointed may be by one member and the Arbitrator. (Art. 31; Sec. 4.)

The decision of the Board in matters assigned to it by the Grant, shall be final except that in the event that either the City or the Company may claim that the questions is one for the determination of the Pennsylvania Public Service Commission, either may appeal to such Commission, but until the Commission decides the issue, Company is required to obey the orders of the Board. (Art. 31; Sec. 6.)

DENVER SERVICE AT COST ORDINANCE

The Board of Tramway Control — Shall control, regulate and supervise the City service of the Company, including the fixing of schedules, the regulation of transfers, and the fixing, changing and extension of routes. (Art. 3; Sec. 1.)

Keep informed as to the cost, quantity and quality of service furnished, receipts and disbursements, vouchers of expenditures, leases and rentals. For this purpose the Board of Tramway Control is given access to the books and records of the company for the purpose of auditing and inspecting receipts, disbursements, leases, contracts, property, and other relevant matters. (Art. 3; Sec. 5.)

The Board shall hear, determine and act upon, complaints, criticism and suggestions not disposed of by the Company. (Art. 3; Sec. 6.)

Must approve upon all expenditures for Extensions, Betterments and Improvements, if they exceed, in any one year, one-half of one per cent of Stipulated Fair Value, before such expenditures can be added to Stipulated Fair Value. (Art. 3; Sec. 7.)

Must approve expenditures for Operating Expenses which exceed for the year, by 3 per cent, the cost of the service, for the

preceding six months, if such excess is to be added to the cost of the service. (Art. 3; Sec. 7.)

Shall determine the amount and the disposition of Renewals and Depreciation Reserve Fund, and if the Company desires to invest any unexpended balances in such fund, must approve the negotiable securities in which such balance is invested. (Art. 5; Sec. 1.)

Shall increase or decrease the fares in effect in accordance with the condition of the Fare Control Fund and in the manner provided in the Ordinance. (Art. 7; Secs. 3 and 4.)

Shall decide as to the carriage of materials and supplies by the Company for the City and the public, approving the time at which such transportation can be carried on, and the routes which may be used for the purpose, and the charges to be made therefor. (Art. 9; Sec. 1.)

Shall at all times have access to the books and records of the Company, relating to Interurban lines. (Art. 12; Sec. 7.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

The Board of Control shall have the power to increase or decrease the fares charges by the Company in accordance with wages paid as provided by the Ordinance. (Sec. 4.)

The records and accounts of the Company relative to wages paid and fare receipts shall be open to the Board of Control, and the Company shall furnish to such Board all information concerning wages paid and fare receipts. (Sec. 4.)

The Board is empowered to investigate and shall keep itself informed as to wages paid to street railway employees in the cities of St. Louis, Omaha, Kansas City, Minneapolis and St. Paul. (Sec. 4.)

MINNEAPOLIS

The City Council —

May designate additional streets in which Company may operate. (Sec. 2.)

May authorize changes in motive power or methods of electrical transmission. (Sec. 2.)

May regulate carriage of mail and packages. (Sec. 2.)

May require elimination of poles and attachment of suspension wires to buildings. (Sec. 2.)

Shall determine the terms under which the Company shall continue to operate after the grant has expired. (Sec. 2.)

Controls and regulates the service. (Sec. 2.)

Appoints, removes and controls the Street Railway Supervisor. (Sec. 5.)

Must approve or disapprove the Operating Budget and supplements thereto. (Sec. 5.)

Exercises jurisdiction over purchases and contracts therefor and payments of account of damages. (Sec. 5.)

Orders at its own volition, or approves proposals by the Company, for Extensions, Betterments and Permanent Improvements. (Sec. 7.)

Must authorize all additions to Capital Value, and securities issued on account thereof, both as to interest paid and as to terms. (Secs. 9, 13, 14, 15 and 16.)

Administers Amortization Fund, decides upon the amount to be paid into Fund from Gross Revenues, and from surplus in the Stabilizing Fund, payments out of Amortization Fund and fixes intangible values. (Secs. 9, 12, 13 and 17.)

Decides on the payments from Gross Receipts to the Maintenance Reserve Fund. (Sec. 11.)

May, when authorized by State Legislature, loan City funds to the Company for Extensions, Betterments and Permanent Improvements, or guarantee the Company's security issues made on account thereof. (Sec. 14.)

Supervises the refunding of securities, secured by liens on the Company's property made prior to the taking effect of the Grant. (Sec. 16.)

Acts for the City in the event of the purchase of the property of the Company by the City or a licensee of the City. (Secs. 18 and 19.)

Controls the use of tracks and facilities by other companies. (Sec. 21.)

May construct for the City, or authorize to be constructed a central passenger station and require and regulate its use. (Sec. 22.)

May require the Company to sweep, clean and oil the pavement between its tracks. (Sec. 26.)

May, for the purpose of reducing fares, waive requirements as to street cleaning, oiling, sprinkling and paving. (Sec. 26.)

Shall require the Company to keep its property insured against fire. (Sec. 29.)

Shall appoint the City member of the Arbitration Boards provided for by the Grant. (Sec. 31.)

Shall act for the City in the enforcement of the provisions of the ordinance and in case of its forfeiture. (Secs. 4, 10, 32 and 33.)

The Supervisor of Street Railways —

Is the technical advisor of the City Council. (Sec. 5.)

He shall keep informed as to the character of the service rendered, the condition of the property, the need of new lines and extensions, improvements in the service and all matters coming within the jurisdiction of the City Council and shall report to the City Council thereon. (Sec. 5.)

He shall perform such additional duties as may be imposed upon him by the City Council or by subsequent ordinances, not inconsistent with the terms of the Grant. (Sec. 5.)

He shall keep informed as to all matters affecting the cost, quantity and quality of service, the receipts and disbursements, property and equipment, rate of fare, vouchering of expenditures and the manner of keeping accounts under the Uniform System of Accounts of the Interstate Commerce Commission. (Sec. 5.)

He shall have access at all reasonable times to the books and records of the Company, necessary for use in connection with the performance of his duties. (Sec. 5.)

He shall, with the approval of the City Council, appoint such assistants as he may deem necessary. (Sec. 5.)

He shall make, in connection with any Extension, Betterment and Permanent Improvement, the surveys preliminary thereto, as provided by the Grant. (Sec. 7.)

He shall receive and certify to the City Council if he finds it to be correct the monthly statement of Capital Expenditures required to be made by the Company under the terms of the Grant, and may within 90 days after such certification make necessary

corrections therein, and may annually after the audit of the Company's books and records may make such further corrections as are shown to be necessary by such audit. (Sec. 16.)

He shall have the right to examine the books and records of the Company for the purpose of verifying the reports required to be made by the Company to the City under the terms of the Grant. (Sec. 20.)

If he disapprove of any voucher, the manner of keeping accounts, or the bookkeeping methods of the Company and the matter is not adjusted by the Company, the dispute shall be arbitrated. (Sec. 20.)

7.— ARBITRATION

(a) Machinery For

CHICAGO

No provisions.

PHILADELPHIA

If either the Company or the City shall desire to arbitrate any matter arising under the Contract, such matter shall be submitted to the Supervising Board, sitting as a Board of Arbitration. (Art. 35.)

DENVER SERVICE AT COST ORDINANCE

Any matter of difference arising under the provisions of the ordinance may be submitted to arbitration, by either the City or the Company. The party desiring arbitration, shall notify the other party, stating the matter upon which arbitration is desired, and naming its member of the Arbitration Board, which when completed shall consist of three members. Within five days of such notice the party so notified shall select its arbitrator, and in case it fails to do so, the party demanding arbitration may do so.

The two thus selected shall name the third arbitrator, or if within five days they fail to do so, then either the City or the Company may apply to the Judge of the District Court of the United States for the district in which the City and County of Denver is located, for the appointment of such third arbitrator. In case such judge is disqualified or refuses to act, then any Judge for the Circuit Court of Appeals of the United States for the circuit

in which the City and County of Denver is located may upon application of either the City or the Company make such appointment. (Art. 13; Secs. 1 and 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

All disputes arising between the City and the Company over the interpretation or the application of the provisions of the Grant, except matters falling within the police power of the City, and those especially exempted by the Grant shall be arbitrated, on the demand of either the City or the Company, and no other action for the enforcement of the rights of either party, shall be taken until the question has been arbitrated. Submission to arbitration must be made in the case of any order or demand of the City Council, within 30 days of the date of such order or demand, and in the case of any other dispute within 30 days of the date when such dispute arises. (Sec. 31.)

The party demanding arbitration shall submit the name of one arbitrator selected by it, together with a statement of the matter to be arbitrated, to the other party, who shall within ten days of the receipt of such notice select its Arbitrator and so notify the first party. The two shall within ten days select the third Arbitrator and if within twenty days they are unable to agree upon such third Arbitrator, he shall be named by a majority of the members of the District Court of Hennepin County or any court which may succeed it and exercise like jurisdiction. The Board by a majority shall determine the question submitted to it within thirty days, unless its members unanimously agree upon an extension of time. If the Board fails to determine the matter within a reasonable time, either party may apply to the District Court for the removal of the third Arbitrator and the appointment of a new third Arbitrator, who shall be selected in the manner of the original appointment. In the event of the death or disqualification of any of the arbitrators his successor shall be appointed in the manner of the original appointment within thirty days from the date of such event. (Sec. 31.)

The decision of the Board shall be made in writing and copies forwarded to both the City Council and the Company. Either

party may then appeal to the Courts, which shall try and determine the case *de novo*. (Sec. 31.)

The Arbitrators selected by the City and the Company shall be disinterested and reasonably qualified to pass upon the question in dispute. The third Arbitrator shall be disinterested and qualified by study and experience. Each Arbitrator shall before assuming his duties to take oath that he will fairly and impartially decide the question according to the evidence and the law and equity applicable, and in accordance with the terms and conditions of the Grant. (Sec. 31.)

Control of service involved in the fixing of headway, speed, type of cars, their lighting, heating and sanitary conditions as well as all other matters falling within the police power of the City are exempt from arbitration. (Sec. 31.)

Arbitrated is specifically provided for in connection with certain matters as follows:

In disputes between the Street Railway Supervisor and the Company involving the vouchering of expenditures and the method of keeping accounts under the Uniform System of Accounts of the Interstate Commerce Commission. (Sec. 5.)

In the event of the disapproval by the City Council of the Budget of Operating Expenses or supplements thereto. (Sec. 5.)

At the request of the employees in case of a dispute over wages or working conditions. (See H.-1.)

In disputes respecting the making of Extensions, Betterments and Permanent Improvements. (Sec. 7.)

In disputes as to the rate of interest and cost of refinancing or refunding bonds issued to retire bonds issued under mortgages placed upon property prior to the taking effect of the Grant or the terms of exchanging for such prior securities new securities issued under the provisions of the Grant. (Sec. 15.)

Refusal of the Company to make changes suggested either by the Street Railway Supervisor or the Certified Public Accountant who shall each year audit the books and accounts of the Company, in its manner of keeping accounts, other matters relating to book-keeping, or the manner of its compliance with orders of the City Council. (Sec. 20.)

Disputes as to the approval or disapproval of any voucher or expenditure by the Street Railway Supervisor or the Certified Public Accountant. (Sec. 20.)

Disputes as to the use of the Company's tracks and facilities by suburban railways and the compensation to be paid therefor. (Sec. 21.)

Disputes as to the salaries paid to general officers of the Company. (Sec. 30.)

(b) Powers of Arbitration Board

CHICAGO

No provisions.

PHILADELPHIA

See powers of Supervising Board (C.-6.-(6)).

DENVER SERVICE AT COST ORDINANCE

The decision of an Arbitration Board is final and binding upon both parties, subject to the right of either the City or the Company to appeal to the Courts. (Art. 13; Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

It may adopt such procedure governing hearings as it may deem proper. (Sec. 31.)

It shall give due notice to each party of all hearings and each party shall be entitled to be represented by counsel. (Sec. 31.)

Both parties are required to furnish such information to the Board as it may require and as is in the possession of such party. (Sec. 31.)

It may extend the time within which it is required to determine any case submitted but for not more than 30 days. (Sec. 31.)

(c) Penalties

CHICAGO

No provisions.

PHILADELPHIA

See powers of Supervising Board (C.-6.-(c)).

DENVER SERVICE AT COST ORDINANCE

No provisions.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

If the Company fails to comply with an order of the City Council as sustained by a Board of Arbitration the return to the Company shall be reduced to six per cent on Initial Value and it shall receive no further return on Added Value than the interest fixed on securities by the City Council at the time of their issuance. (Sec. 10.)

(d) Expenses of Arbitration

CHICAGO

No provisions.

PHILADELPHIA

See Supervising Board (C.-6.-(b)).

DENVER SERVICE AT COST ORDINANCE

The City and the Company shall each bear the expenses of their own Arbitrators. The expenses of the third Arbitrator shall be borne equally by the City and Company. (Art. 13; Sec. 3.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

Paid as an operating expense. (Sec. 31.)

D. RETURN

1.—INITIAL VALUE

CHICAGO

The Original Capital Account (Initial Value), as set up by the Grant as of the date when the Grant becomes effective is made up as follows:

First, the sum of \$220,114,428.46 (being the Capital Value of the Chicago Surface Lines as of June 30, 1916, plus the appraised value of the Elevated Companies as of the same date as appraised by the Chicago Traction and Subway Commission), plus additions to the property between that date and the time the Grant becomes effective, minus deductions from the property during the same period, both as determined by the Board of Supervising Engineers;

Second, such sum as the Trustees shall determine shall be the value of the property acquired by the Elevated Companies between June 30, 1916, and the date when the Grant becomes effective, minus such sum as the trustees shall determine to have been the value of property lost, destroyed, abandoned, sold or disposed of and the amount of impairment to the property (ordinary wear and depreciation expected) during the same period;

Third, the amount of any moneys or securities on deposit with the trustee of any mortgage assumed by the Company, representing the proceeds from the sale of property mortgaged, which amount is required to be paid to the reduction of the debt under such mortgage. (Sec. 24.)

PHILADELPHIA

The Capital Value of the Company's property is not formally fixed. Payment of fixed charges on mortgages, as well as rentals, is provided for and a special audit of the Company's accounts is provided in order to ascertain the amount of such charges. One of the objects of the 1907 Contract, as set forth in the preamble, was to provide that the securities of the Company and its underlying properties, should be "unquestioned." The investment of the Philadelphia Rapid Transit Company itself, irrespective of the underlying properties, is fixed at \$30,000,000, less any installments on underlying shares remaining unpaid. (Art. 20.)

DENVER SERVICE AT COST ORDINANCE

The basic value of the property coming under the provisions of the ordinance, both for the purpose of regulating fares and for the fixing of a purchase price, is placed at \$20,867,750, as of January 1, 1918. This is the value placed upon the property by

the Public Utilities Commission of the State of Colorado, and accepted, after investigation, by a committee of 55 representative citizens of the city of Denver appointed by the Mayor to investigate and report upon the street railway problem. (Art. 4; Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

For the purpose of fixing the return to the Company and for purchase by the City, the Original Capital Value (Initial Value) as of January 1, 1919, is fixed by the Grant at \$24,000,000, which is the value as of January 1, 1916, fixed by F. W. Cap-pelen, City Engineer, plus the value of property acquired between January 1, 1916, and December 31, 1918, as determined by Bion J. Arnold. (Sec. 17.)

The Original Property Value, as of January 1, 1919, is also fixed at \$24,000,000. (Sec. 16.)

2.—ADDED VALUE

CHICAGO

The par value of bonds, debentures, or other obligations issued for new capital funds or other capital expenditures authorized by the Grant, shall be added to Initial Value at the time sold and when added to the Capital Account. (Sec. 24.)

PHILADELPHIA

There is no formal definition of Added Value in the Grant, the Company is permitted to earn a return upon new capital furnished by it, and provision is made for the certification at three-month periods of such new capital furnished. (Arts. 20 and 23.)

DENVER SERVICE AT COST ORDINANCE

There shall be added to basic value the total cost of Additions, Betterments and Improvements (as defined by the rulings and the Uniform System of Accounts of the Interstate Commerce Commission and determined from the records of the Company, authenticated by the Board of Tramway Control) made subsequently to January 1, 1918. (Art. 4; Sec. 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

There shall be added to Capital Value the par value of all securities sold or debt created by the Company either for the purpose of creating the Stabilizing Fund, or for Capital Expenditures made after January 1, 1919, as approved by the City Council. (Sec. 17.)

The Company agrees to obtain new capital for the purpose of creating the Stabilizing Fund and for Extensions, Betterments and Permanent Improvements required by the ordinance, the City Council to approve the amount and character of the securities to be issued or debt created, as to rate of interest, sinking fund, method of retiring same, if any, and the price at which they shall be sold; providing that the Company acting diligently and in good faith can sell such securities or incur such debt. The par value of securities and the amount of indebtedness shall constitute a capital expenditure and shall be added to Capital Value as of the date they begin to draw interest. If securities are issued for a debt included in Capital Value they shall be included at par value in Capital Value in lieu of such debt. Funds secured by the sale of such securities or from such debt, if not used within a month, shall be placed at interest which shall be added to Gross Receipts. Premiums received from the sale of securities shall be used for Extensions, Betterments and Permanent Improvements, but not added to Capital Value. Usual and necessary costs of financing the sale of securities, approved by the City Council, shall be included in the amount of capital funds for which such securities are issued. (Sec. 14.)

Upon the failure, neglect or refusal of the Company to provide the necessary new capital for Extensions, Betterments and Permanent Improvements, the City may, if authorized by the State Legislature, provide such funds, either by direct loan to the Company, or by guaranteeing the payment of the Company's securities or obligations, and such amount shall be added to Capital Value. (Sec. 14.)

There shall be added to Property Value, the cost of new property or betterments added from January 1, 1919 to the date when

the Grant became effective and there shall be added thereafter the cost, including the cost of construction of the property in place, engineering, supervision and legal expenses incident to construction and the cost of obtaining the money, such as bond discount, of all Extensions, Betterments and Permanent Improvements, authorized or required by the Grant or built by the Company with the approval of the City Council. (Sec. 16.)

In the replacement of any principal part of the Company's property there shall be charged to Property Value the excess cost of the new property over the property displaced, as it appears in the allocation of value set up as provided by the Grant. If the Company is required to construct, or reconstruct any of its track, equipment or roadbed in any street, before sewer and water pipes are laid therein, and shall thereafter be required to reconstruct on account of the laying of such pipes, the Expense shall be deemed a capital expenditure and allocated as an intangible value. (Sec. 16.)

3.—DEDUCTIONS FROM VALUE

CHICAGO

Payments to the holders of the Company's bonds, debentures, or other obligations or on account of the liens or claims, or obligations secured thereby upon or against the Company's property shall be deducted from Initial Value. (Sec. 24.)

PHILADELPHIA

A Sinking Fund, under the control and in the custody of a Commission consisting of the Mayor, the President of the Company and the President of the Board of Directors of City Trusts was established by the 1907 Contract. Into this Sinking Fund, the Company is required to make the following payments:

Beginning with July, 1912, and annually for ten years after at the rate of \$10,000 a month;

For the next ten years at a rate of \$15,000 a month;

For the next ten years at the rate of \$20,000 a month;

For the next ten years at the rate of \$25,000 a month;

For the remaining period of the Contract (until 1957) at the rate of \$30,000 a month. (Sec. 9, 1907 Contract.)

Such payments are treated as fixed charges and deducted from income before any payments of dividends are made to stockholders and before any payments on account of dividends are made to the City. No such dividends shall be paid as long as Sinking Fund payments are in arrears. The money in the Sinking Fund may be invested in such securities as are legal for Trustees, or in the stock of the Company, which may be purchased at a price not above par, or in the bonds and underlying securities of the Company purchased on a four per cent income basis. Stock or bonds so acquired shall not be resold or re-issued. At any time after the fund shall have accumulated \$5,000,000, the City may require that it be paid into the City Treasury and that the City acquire absolute title thereto and that future payments be made directly into the City Treasury. (Sec. 9, 1907 Contract.)

In the case of New Capital secured by issues of preferred stock, provision for the amortization thereof shall be made as approved by the City Councils, and payments on account of such amortization shall be made to the Sinking Fund Commission, which shall hold monies so received for the retirement of, and shall invest it in such preferred stock. (Art. 12.)

In the case of New Capital secured by debentures, or notes, similar provision shall be made for amortization and payments on account thereof shall be made to the trustees for such issue and shall be invested by them in such issue, if it can be obtained at a price not to exceed 105 of par value with accrued interest. (Art. 12.)

DENVER SERVICE AT COST ORDINANCE

There shall be deducted from Value, the value of property retired as defined by the rulings and the Uniform System of Accounts of the Interstate Commerce Commission. (Art. 4; Sec. 2.)

The Stipulated Fair Value of the Property, both for the purpose of computing return and for computing the purchase price shall consist of Basic Value, plus the cost of Additions, Betterments and Improvements, and minus the value of property retired. (Art. 4; Sec. 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

There shall be deducted from Capital Value, all payments to Company, or to the holders of securities or evidences of indebtedness that have been created on account of Capital Expenditures, made out of the Amortization Fund, and the right is reserved to the City Council to amortize such part of Capital Value as it may see fit. (Sec. 17.)

The Grant provides for the accumulation of an Amortization Fund, to be used for the purpose of amortizing any intangible values, either in the original \$24,000,000 value or arising from refinancing or from other causes. The Amortization Fund shall be accumulated, first, by payment thereinto annually from Operating Revenue, of an amount equal to one-half of one per cent cumulative, of Capital Value at the beginning of the year; second, by any payments provided for sinking or retirement funds in securities issued with the approval of the City Council, and, third, by transfers from the Stabilizing Fund, when there shall be an excess therein, as provided by the Grant. The whole or any part of the Amortization Fund may be paid to the Company or the holders of bonds or interest bearing obligations of the Company that have been created for Capital Expenditures for the purpose of extinguishing such obligations and Capital Value shall be reduced to the extent of such payments; or the City may direct the Company to use the amounts so paid for Extensions, Betterments or Permanent Improvements, in which case the amount so used shall not be added to Capital Value, but shall be added to Property Value: When the intangibles for the elimination of which the Amortization Fund was created have been so eliminated, the City Council may order discontinuance of payments into the Fund from Operating Receipts, or may order the Company to set aside and pay into the Fund any other amount that the amount so provided in the Grant to be used to reduced Capital Value. (Sec. 13.)

"Intangible values in Capital Value shall be taken and deemed to be such elements in Capital Value as are not reflected in or

represented by values of the existing physical property in agreed valuation as of January 1, 1919, together with additions thereto. The Intangible Values shall be allocated by direction of the City Council." (Sec. 9.)

There shall be deducted from Property Value first the cost assigned in the inventory of January 1, 1916 or in the Arnold analysis of additions between January 1, 1916 and December 31, 1918 of withdrawals of property from January 1, 1919 to the date when the Grant becomes effective; and second the value of any property withdrawn from Property Value, as it appears in the valuation of January 1, 1916, in the Arnold analysis, or in the case of property added after January 1, 1919, at actual cost. (Sec. 16.)

At the time the Grant takes effect, the Company shall set up in its books Standard Property Accounts as prescribed by the Uniform System of Accounts of the Interstate Commerce Commission modified to meet the provisions of the Grant or subsequent ordinances, and shall allocate, with the advice and approval of the City Council, the full value of the property as agreed upon in the Grant, and shall thereafter allocate to these accounts all additions to property value. On or before the 20th of each month the Company shall report to the Street Railway Supervisor, all Capital Expenditures for the previous month. If correct, the report shall be certified to the City Council by the Supervisor, and the Council shall approve or disapprove of the same. If approved it shall be final and binding upon the City, except that within ninety days of the date of the report, or after the annual audit of the Company's books, he may correct any error. Such corrections, however, shall not affect or impair any report theretofore certified but shall be adjusted in the first certificate issued after the end of the year. (Sec. 16.)

Upon the removal of any property which is not replaced from the Maintenance Reserve Fund, an amount which represents the unreplaced value thereof, as it appears in the valuation of January 1, 1916, the Arnold analysis, or in the case of property added subsequent to January 1, 1919, actual cost, shall be transferred to a suspense account and amortized from the Amortization fund. (Sec. 16.)

4.—RATE OF RETURN**CHICAGO**

Upon bonds and other obligations secured by liens against the property, rights and franchises of the Company — the interest stipulated in such bonds and other obligations; (Sec. 16)

Upon debentures issued in part payment of the property of the Chicago Surface lines and Elevated Railways required under the terms of the Grant to be acquired by the Company — eight per cent per annum until July 31, 1932 and seven per cent per annum thereafter. (Sec. 2.)

Upon debentures issued by the Company to obtain New Capital-return as fixed by the Trustees, at the time such debentures shall be sold.

PHILADELPHIA

Fixed charges on obligations of the Company — either mortgages, leases or operating contracts — assumed before the Grant took effect or mortgages refunded, at the rate contracted for;

Interest and sinking fund charges on New Capital, as approved by City Councils at the time of their issuance;

Sinking Fund Charges as provided in the 1907 contract;

Five per cent, on the Company's investment (\$30,000,000, less any unpaid installments on outstanding stock). (Arts. 20 and 24).

DENVER SERVICE AT COST ORDINANCE

The Rate of Return upon the Stipulated Fair Value of the property shall be as follows:

From the date the ordinance becomes effective, until April 30, 1920, at the rate of five and one-half per cent per annum;

From May 1, 1920, to October 31, 1920, at the rate of six per cent per annum;

From November 1, 1920, to April 30, 1921, at the rate of six and one-half per cent per annum;

After April 30, 1921, at the rate of seven per cent per annum. (Art. 8; Sec. 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

Seven per cent per annum cumulative upon Original Capital Value (Initial Value) as of January 1, 1919. Upon securities issued and debt incurred with the approval of the City Council and added to Capital Value thereafter, the interest as approved by the City Council plus one per cent per annum cumulative, except that upon money loaned or securities issued by the Company and guaranteed by the City, there shall be paid no return over and above the actual interest. (Secs. 9 and 14.)

5.— ADDITIONAL ALLOWANCES

CHICAGO

No provisions.

PHILADELPHIA

No additional allowances.

DENVER SERVICE AT COST ORDINANCE

Allowances in addition to the regular rate of return are provided by the ordinance as follows:

In any calendar month in which the adult fare shall be six cents, one-twelfth of one-fourth of one per cent;

In any calendar month in which the adult ticket fare shall be five and one-half cents, one-twelfth of one-half of one per cent;

In any calendar month in which the adult fare shall be five cents, one-twelfth of three-fourths of one per cent;

In any calendar month in which the adult fare shall be less than five cents, one-twelfth of one per cent. (Art. 8; Sec. 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

None.

6.— ASSURANCE OF RETURN

CHICAGO

There is no other assurance of return than that provided by the regulation of fares to cover the cost of service.

PHILADELPHIA

No other assurance of return is given than that provided by a system of fares, which, subject to the Pennsylvania Public Service Commission, is intended to respond to the cost of the service.

DENVER SERVICE AT COST ORDINANCE

No other assurance of return is afforded than that given by the automatic regulation of fares to cover the cost of the service.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No assurance of *return* provided. There is partial assurance that fares will be sufficient to pay wage increases.

MINNEAPOLIS

No assurance of return is provided other than by the automatic regulation of fares and by the right given to the Company to object to requirements of the City as to service and extensions which would impair the ability of the Company to earn the cost of the service.

On the other hand it is provided that "nothing in this ordinance contained shall constitute an obligation or guaranty on the part of the City to pay to the Company the seven per cent per annum on the Capital Value or the amount of interest plus one per cent per annum on new capital as above provided, and further, that in no event shall any taxes be levied or other appropriations be made by the City Council to provide for the payment of said seven per cent cumulative or the one per cent cumulative on new capital or for any deficiency in the said payment which may hereafter accumulate or hereafter be accumulated under the terms of this ordinance." (Sec. 9.)

E. COST OF SERVICE**1.— DEFINITION**

CHICAGO

There is no definition of the Cost of Service. The Grant provides for the payment of the following items out of Gross Receipts:

Item First: (a) All expenses of operation, including maintenance, repairs and renewals (except such payments as are made from the Maintenance and Repair Fund, the Renewal and Depreciation Fund and the Damage Claim Fund), including all payments required to be made by the Company under any lease or operating agreement;

(b) Payments into the Maintenance and Repairs, Renewals and Depreciation and Damage Claims Funds. (Sec. 16.)

The Trustees shall set aside from Gross Receipts a sufficient fund to meet all claims from damages arising out of the operation of the Surface lines subsequent to February 1, 1907 (date of the so-called Settlement Ordinances); damages arising from the operation of the Elevated Lines previous to the taking effect of the Grant and damages arising from the operation of the System subsequent to the taking effect of the Grant. The amount that shall be annually deducted is left to the judgment of the Trustees, except that the Fund shall at the time of purchase by the City be sufficient to meet all claims against the Company at that time outstanding. The monies so set aside shall constitute the Damage Claims Funds and may be invested by the Trustees in interest-bearing securities, other than those of the City or the Company, which securities may be sold from time to time as occasion requires for the benefit of the Fund. Interest and earnings thereon shall be added to the Fund. At the time of the sale of the property of the Company, the Fund shall pass into possession of the City, which shall hold the Company harmless on account of all claims for damages. (Sec. 15.)

For information as to Maintenance and Repairs and Renewals and Depreciation Funds see E.-(b)- (b2) and E.-2.-(c).

(c) Payments on account of taxes, assessments and other governmental charges, including franchise, excise and income taxes and city license fees, if any. (Sec. 16.)

Item Second, payments on account of interest on bonds and other outstanding obligations, secured by a lien on the Company's property in accordance with the terms of the Grant. (Sec. 16.)

Item Third, payments to the City on account of the use of subways or portions thereof. (Sec. 16.)

Item Fourth, payments into the Amortization Fund. (Sec. 16.)

The Amortization Fund is established for the purpose of providing a substitute for new capital for Extensions, Betterments and Improvements and to provide for the amortization and retirement of the Capital Account. There shall be paid into it:

(a) The amount required to be set aside under the sinking fund provisions of mortgages or deeds of trust assumed by the Company as part of the purchase price of the Surface and Elevated Lines;

(b) After five years from the effective date of the Grant, each year, one-quarter of one per cent of the then outstanding Capital Account of the Company, to be increased at the end of five years to one-half of one per cent, to be increased at the end of the next five years to three-quarters of one per cent, to be increased at the end of the next five more years to one per cent, at which rate it shall thereafter stand. The amount to be paid into the Fund in any year under this provision, shall never be less than the amount paid in the previous year, despite any decrease in Capital Account caused by payments from the Amortization Fund (Sec. 14);

(c) The Surplus Receipts of the Company. (Sec. 14.)

Whenever money is needed for Extensions, Betterments and Permanent Improvements not including subways and the condition of the Amortization Fund permits, such money shall be taken from the Amortization Fund, and there shall be no addition to Capital Account on account thereof. (Sec. 14.)

Whenever, in the opinion of the Trustees, the condition of the Amortization Fund will permit, money therein may be used for the retirement of the outstanding bonds, debentures or other obligations of the Company, or for sinking fund payments under the terms of mortgages and trust deeds assumed by the Company in part payment of the Surface and Elevated lines, but no payment shall be made on account of debentures issued in payment for such property, until all other bonds, debentures and obligations of the Company constituting a lien upon the Company's property have been paid. The amount so paid for the purpose set forth herein shall be deducted from Capital Account. (Sec. 14.)

In case the First and Refunding Mortgage provided for by the Grant shall contain sinking fund provisions, approved by the City Council by ordinance, sinking fund payments thereunder may be

made from the Amortization Fund and the Capital Account correspondingly reduced. (Sec. 14.)

Item Fifth, payments on account of annuity or interest on outstanding debentures and other obligations or agreements of the Company, not secured by liens on the property, franchises and rights of the Company. (Sec. 16.)

All payments under any of the items are culmulative, and if not paid during the fiscal year, shall be paid out of the Gross Receipts of the next, or the following fiscal years in the order named. Any surplus Gross Receipts remaining after the payment of the items specified shall be paid into the Amortization Fund. (Sec. 16.)

PHILADELPHIA

The cost of service is not defined, but provision is made for the payment of the following items out of Gross Revenue:

First. Operating expenses, including maintenance and damage claims;

Second. Taxes, both those assessed directly against the Company and those assessed against the Company on account of its ownership of Transit Facilities, as well as taxes, licenses and imposts assessed against underlying companies, except taxes due from such companies to the city on dividends;

Third. Fixed charges, including interest on mortgages, rentals, payments on account of operating agreements or other contracts, which were in effect at the time of the taking effect of the Grant, and any renewals or refunding thereof;

Fourth. Interest and sinking fund payments on new securities, and dividends and sinking fund payments on capital stock, issued for New Capital;

Fifth. Payments into the Depreciation Funds provided by the Grant;

Sixth. Sinking Fund payments required by the 1907 Contract; payments due City on account of taxes on dividends to holders of the securities of underlying companies as imposed by the charters of such companies. The payment to the City of the sum provided in lieu of paving, repaving and repair of paving, snow removal and license fees (See E.-3);

Seventh. Payments to both City and Company of a return equal to 5 per cent of their respective investments. Such investment is for the Company fixed at \$30,000,000, less any unpaid installment on outstanding stock, and for the City is certified in the three-month statements provided by the Grant;

Eighth. Payment to the City of the difference between its gross interest and Sinking Fund charges upon its investment and the 5 per cent return upon investment provided in the previous item. (Art. 20.)

All of the payments provided for are cumulative. Items *First* to *Fifth*, inclusive, shall be cumulative in order and shall be made up before Gross Revenue of subsequent years is applied to current payments. The other items shall, however, not be made up in subsequent years until after current payments shall have been made and the Company's Initial Surplus shall have been restored to the extent that it has been depleted to make up deficiencies. Thereafter deficits in return to the City and the Company shall be made up before Items Sixth and Eighth shall be made up. (Art. 20; Sec. 2.)

DENVER SERVICE AT COST ORDINANCE

The following items are defined to be the cost of the service, to be paid from Gross Earnings in the order named:

- (a) Cost of wages and compensation to employees;
 - (b) Cost of materials used in the operation of the City system;
 - (c) Cost of renewals and depreciation of the property;
 - (d) Cost of taxes and other governmental charges, including the expenses of City supervision;
 - (e) Cost of such other operating expenses as are authorized under the rulings and Uniform System of Accounts of the Interstate Commerce Commission;
 - (f) Cost of money invested in the property, being the reasonable return upon the Stipulated Fair Value of the City System.
- (Art. 2; Secs. 1 and 2.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

PHILADELPHIA

No provisions.

MINNEAPOLIS

It is provided that the following payments shall be made from Gross Receipts, in the order named:

First, expenses of management and operation, including salaries, wages and reasonable pensions and benefits to employees in amount to be approved by the City Council. (Sec. 9.)

Second, an amount monthly equal to one-twelfth of 2.75 per cent of Capital Value as of January 1, of the current year, plus 9 per cent of the gross earnings of the month, to create a Repair, Maintenance, Renewal and Depreciation Fund, from which shall be paid all expenses, necessary "to put, maintain, repair and keep said railway system in first class condition." The amount taken from Gross Earnings can be increased or decreased as the City Council may determine is the need. (Secs. 9 and 11.)

Third, payments on account of liabilities for damages to persons and property. (Sec. 9.)

Fourth, payments on account of taxes and public charges, including all earnings and income taxes. (Sec. 9.)

Fifth, return to the Company. (Sec. 9.)

Sixth, an amount equal to one-half of 1 per cent. of Capital Value as of January 1 of the current year, per annum cumulative, plus such additional sums to provide sinking or retirement funds as may be authorized by the City Council in connection with the issuance of new securities to be paid into the Amortization Fund. Payments of one-half of 1 per cent of Capital Value into this fund shall continue until the amount thereof equals the amount of all elements of intangible value contained in Capital Value. Thereafter only such payments shall be made into the Amortization Fund from Gross Receipts, as the City Council shall determine. (Sec. 9.)

Seventh, payment into the Stabilizing Fund, of the amount remaining after payment of these items, which amount shall be known as "Surplus Earnings." (Sec. 9.)

Accounting for the purpose of determining fares shall be on the basis of monthly credits and charges and liabilities shall be so allocated, that a sufficient amount shall be set aside each month to meet deferred liabilities when they fall due. (Sec. 9.)

2 — ALLOWANCES**(a) Operating****CHICAGO**

No provisions, the matter being left to the judgment of the Trustees.

PHILADELPHIA

No operating allowance provided for.

DENVER SERVICE AT COST ORDINANCE

No actual Operating Allowance is provided for. The Company is, however, required to present to the Board of Tramway Control prior to the last day of each calendar year, a budget estimating the cost of service for the ensuing year, and any increase in operating expenditure over the previous calendar year, amounting to more than three per cent, cannot be added to cost of service, unless it be approved by the Board of Tramway Control. (Art. 3; Secs. 8 and 9.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

While no operating allowance is provided, the City retains control over the operating expenditures by a provision which Permits the City Council to require the Company to submit at least 45 days before the beginning of each calendar year a Budget of operating expenditures and receipts and further to submit supplementary budgets for expenditures other than those provided in the original Budget. No expenditure not provided for in the Budget or a supplement approved by the City Council thereto may be met from Gross Receipts. (Sec. 5.)

(b) Maintenance**(b1) DEFINITION****CHICAGO**

The Grant establishes a distinction between Maintenance and Repairs, and Renewals. “* * * Renewals are hereby defined

to be the replacement of any principal part of the local transportation system or its equipment or appurtenances (including pavement) or subways; and the Trustees shall determine by classifications made from time to time what particular items of expenditure shall be considered as Maintenance and Repairs and what particular items of expenditure shall be considered as Renewals under the provisions of this ordinance." (Sec. 8.)

PHILADELPHIA

The Grant contains no definition.

DENVER SERVICE AT COST ORDINANCE

The rulings and the Uniform System of Accounts of the Interstate Commerce Commission govern.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

The Grant contains no definition.

MINNEAPOLIS

The Grant contains no definition of Maintenance, Repairs, Renewals, or Depreciation.

(b2) HOW FIXED

CHICAGO

The Company is obligated by the terms of the Grant to keep its property in such condition as to give to the public the best possible transportation service, and agrees, irrespective of any of the provisions of the Grant as to amounts to be spent for maintenance and repairs, to spend such sums as will so maintain the property. (Sec. 8.)

The Company shall spend for maintenance and repairs an annual amount at least equal to six per cent of its Gross Receipts for the year. If in any one year such amount is not spent, it shall be set aside in a special fund (The Maintenance and Repairs Fund) to be used when and as necessary for such maintenance and repairs. (Sec. 8.)

PHILADELPHIA

The Supervising Board shall pass upon, adopt and alter rules and standards as to Maintenance. (Art. 31; Sec. 3.) No actual allowance is provided.

DENVER SERVICE AT COST ORDINANCE

By the Company subject to the approval of the Board of Control in case the total operating expenses for any one year exceed those of the previous year by more than three per cent. (Art. 3; Sec. 7.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

Repairs, maintenance, renewals and depreciation are to be met out of the same fund — the Maintenance Reserve Fund. This is provided by payments from Gross Receipts as set forth in E.-1., and by receipts from the sale of material or property that may become unnecessary or is unadapted to the use of the Company and from interest received on such part of the fund as may be invested or put on deposit. (Sec. 11.) If, however, such unnecessary or unadaptable property be rented, the rentals shall be added to Gross Receipts. (Sec. 28.)

When property is replaced, the excess of cost of the new property over the property displaced shall be charged to Capital, while the value of the property displaced shall be charged to the Maintenance Reserve Fund. (Sec. 11.)

The creation and use of the Maintenance Reserve Fund, does not relieve the Company from the obligation to keep its property in first-class condition by expenditures from Gross Earnings. (Sec. 11.)

(c) Depreciation

CHICAGO

There shall be set aside each month from Gross Receipts, an amount equal to eight per cent of the Gross Receipts of the previous month and the sums so accumulated shall constitute the Renewal and Depreciation Fund. Moneys in such fund shall be used to take care of the renewal and depreciation of the Company's property, including subways. There shall be paid from the Fund such amounts as are necessary to provide for renewals and the balance shall constitute a fund to provide against the depreciation of the property. The Trustees are empowered to

increase the amount set aside for this fund, as in their judgment seems desirable and necessary. (Sec. 8.)

When replacements are made there shall be charged to Capital Account, the excess cost of new property over the original cost of the property displaced, except that in the case of property acquired from the Surface and Elevated lines in accordance with the provisions of the Grant, the inventory value instead of the original cost shall be used in reckoning excess. The balance of the cost of such replacements shall be taken from the Renewals and Depreciation Fund. (Sec. 8.)

As long as the Company purchases its power, there shall be charged to the Renewals and Depreciation Fund, such part of the cost of such power as represents the allowance made for Renewals and Depreciation by the seller, if such allowance is made. (Sec. 8.)

The Trustees may invest any moneys in the Fund in bonds or other interest bearing securities, except those of the City and the Company, and may from time to time sell the securities so purchased and deposit the market price thereof to the Credit of the Fund. (Sec. 8.)

In the event of purchase by the City any balance in the fund becomes the property of the City. (Sec. 8.)

PHILADELPHIA

The Grant provides for the setting up of three distinct Depreciation Reserve Funds —

- A. To provide for Transit Facilities owned by the City;
- B. To provide for Transit Facilities furnished by the Company in Connection with the City System;
- C. To provide for Transit Facilities owned by the Company. (Art. 22; Sec. 1.)

The Supervising Board may classify Transit Facilities and apportion depreciation among the several Funds in accordance with such classification. Fund C. shall be started on the date when the Grant becomes effective. Funds A. and B. at the same time as the time that the first section of the City System begins operation or as soon thereafter as the Supervising Board may determine. Nothing shall, however, be set aside for depreciation

of permanent structures of the City's Transit Facilities, until ten years after the date when they shall be first operated, and then the appropriation for such purpose shall not exceed one-half of one per cent, annually. (Art. 22; Sec. 1.)

The amount to be set aside for depreciation shall be determined by the Supervising Board and Funds A. and B. shall be in the control and custody of the Board. Fund C. shall be in the custody and control of the Company, and shall be held for and applied to repairs, replacements and renewals, other than those paid for out of Gross Revenue, but such use of the fund, must be approved by the Supervising Board. (Art. 22; Secs. 1 and 3.)

At the time that the Contract takes effect, such amount as equals the excess of the amount in the company's Renewal Reserve over its Reserve Fund for Renewals, as determined by the special audit provided by the Grant, shall constitute the Company Depreciation Fund. (Art. 16.)

Salvage from Transit Facilities retired from service shall be credited to the appropriate Depreciation Fund. (Art. 22; Sec. 2.)

Whenever a Transit Facility or a principal part thereof shall be retired from service, an amount equal to its cost shall be taken from the appropriate Depreciation Fund, upon the requisition of the Company approved by the Board and be expended for a new Transit Facility or a principal part thereof for which the Fund shall have been set aside. (Art. 22; Sec. 3.)

Amounts in Depreciation Funds not currently needed shall be invested by the custodians of the Funds (in the case of Fund C., the Company shall, however, secure the approval of the Supervising Board to such investment) in the bonds, notes or other securities of the Company, providing they can be purchased at not more than par value, or in such other securities as may be legal investment for Trustees. (Art. 22; Sec. 3.)

At the termination of the lease, Funds A. and B. shall become the property of the City, while Fund C. becomes the property of the Company. In case the City exercises its right of recapture (See B-1.-(a) and (b)) all three Funds shall become the property of the City. (Art. 22; Sec. 4.)

DENVER SERVICE AT COST ORDINANCE

"The physical property of the City system shall always be well and thoroughly kept up in first-class serviceable operating condition. Therefore, as distinguished from and in addition to the ordinary day to day repairs, constituting current maintenance, and in order to adequately provide for the replacement and renewal of track, cars, equipment, buildings and plant, which hereafter shall become worn out, obsolete or useless and for the general depreciation of the property when and as necessary and needed for the proper upkeep in the interest of the best service to the car riders, there shall be set aside out of earnings and as a part of the cost of service as hereinbefore defined, a sum monthly consecutively and cumulatively to be known as the "Renewals and Depreciation Reserve Fund." This fund as to its amount shall be reasonable and adequate in relation to the Stipulated Fair Value and its determination and disposition shall be by and under the supervision of the Board of Tramway Control, provided always that permanent expenditures out of this fund shall be made only for the purpose in this section set forth, and that this Fund or any part thereof shall not in any way affect or change the Stipulated Fair Value. Temporary unexpended balances may be invested by the Company in negotiable securities approved by the Board of Tramway Control and interest thus earned shall be credited to the Funds." (Art. 5; Sec. 1.)

As a measure for the adequacy of the Renewals and Depreciation Reserve Fund, the ordinance states that for the Basic Value of \$20,867,750, set up therein, an addition of \$37,500 monthly to the cost of service shall be considered sufficient. (Art. 5; Sec. 3.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

Depreciation is taken care of through the operation of the Maintenance Reserve Fund. (Sec. 11.)

3.—SPECIAL TAX AND IMPOST FEATURES

CHICAGO

The Company shall pave, repave and keep in repair pavement on the portion of streets, viaducts and bridges occupied by its

surface line tracks and shall clean and sprinkle such pavement. (Sec. 22.)

The Company shall fill, grade, pave, clean, sprinkle and keep in repair eight feet of such streets as it occupies with single track and 16 feet of such streets as it occupies with double track. The City shall not be liable for damages arising from excavations made or other work done by the City in connection with its sewer and water pipes. (Exhibit B.)

In the event that the Company lays its tracks in streets before water or sewer pipes are laid therein, or before the street shall be graded or paved, and is later compelled to reconstruct such track, the expense thereof shall be borne by the Company and charged to the appropriate account, as provided by the provisions of the Grant. (Exhibit B.)

Requirements as to the details of paving are set forth in Exhibit B.

In lieu of the performance of the work by the Company, the City, for the first five years after the Grant becomes effective, shall clean the right of way of the Company, including snow removal, and the Company shall pay to the City therefor, the sum of \$51.50 per mile of double track surface line per month, single track to be computed at half of the length of double track. (Exhibit B.)

If at any time there shall be a deficit in the cost of service, to meet which an increase in fares would otherwise be necessary, the Company shall be relieved from its obligation to clean and sprinkle streets, and such exemption shall continue, until the deficit shall have been made up from Gross Receipts and such Receipts shall warrant, in the opinion of the Trustees, the resumption of such obligation. (Sec. 22.)

Health Inspectors, Firemen and Police employed by the City, shall, when in full uniform, be permitted to ride free. (Sec. 19.)

The City may by ordinance provide for the use without pay for the private right of way of the Company under the elevated structure for public comfort stations. (Sec. 20.)

The Company shall pay the cost of altering any bridge or viaduct owned by the City, in order to permit its use by rapid transit lines and in the case of new bridges and viaducts, which shall

be so constructed as to provide for their use in connection with the rapid transit system shall pay one-third of the cost. The Company shall pay to the City one-third of the cost of maintaining, repairing or renewing bridges or viaducts used by the rapid transit lines, but full cost in connection with maintenance of pavement on right of way over viaducts or bridges used by surface lines. . (Sec. 23.)

PHILADELPHIA

In lieu of charges for paving, repaving and repair of streets for the removal of snow and in lieu of license fees for operation of cars through streets or over bridges, the Company shall pay to the City:

For the first ten years after the date of the 1907 Contract — \$500,000 annually;

For the next ten years, \$550,000 annually;

For the next ten years, \$600,000 annually;

For the next ten years, \$650,000 annually;

For the next ten years, \$700,000 annually.

In addition there shall be added for each additional street in which tracks of the Company are laid, seven cents for each square yard if paved with macadam; eight cents if paved with asphalt and six cents if paved with any other kind of material. Similarly, there shall be deducted from payments made by the Company on this account, like sums for streets in which tracks are abandoned.

If taxes other than those on real estate or dividends are imposed upon the Company after the date of the 1907 Contract, the amount paid in accordance with the provisions here set forth shall be credited upon such assessments. (Sec. 10, 1907 Contract.)

DENVER SERVICE AT COST ORDINANCE

By the provisions of the ordinance, the Company is relieved from the payment of a franchise tax of \$5,000 per month, for which it is liable and from any obligation to "pave or surface or maintain any paving or surfacing on any street, road, alley or highway, or to construct or reconstruct, maintain or improve any public bridge, viaduct or subway within the City and County of

Denver." It is, however, required to replace any pavement or structure removed or damaged by it. (Art. 11; Sec. 1.)

The Company is required to carry firemen and policemen of the City and County of Denver, when in uniform, free. (Art. 10; Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The Company is, at the time that any street shall be paved, required to pave with granite block or other material agreed upon the space between its tracks and keep such pavement in repair. In addition, it is required to defray one-half of the cost of the paving foundation for a space two feet on the outside of its tracks and keep the pavement in such space in repair. There is no provision relative to repaving. (Sec. 27.)

The Company is required to keep free from snow and ice that portion of the street occupied by its tracks. It shall oil, or sprinkle with water such portion of streets occupied by its tracks as the City Council may require. (Sec. 26.)

In order to reduce the rate of fare, the City may, if it so elects, relieve the Company from obligations to pave and maintain pavement, or to clean, oil or sprinkle streets. (Sec. 26.)

If the State laws require, reduced rates shall be provided for Firemen and Policemen. (Sec. 8.)

F. FARES

1.— SCHEDULES OF

CHICAGO

The Grant prescribes an initial rate of fare for rides within present or future city limits of five cents for adults, three cents for children under twelve years of age, and free rides for children less than seven years of age when accompanied by a fare paying passenger. Transfers between cars on the surface lines, and between trains on rapid transit lines to be free, but, if in the judgment of the trustees such a charge is necessary, a charge not exceeding two cents to be made for transfers between surface and rapid transit lines. (Sec. 17.)

For rides between points outside of City limits, or between points inside City limits and those outside, present fares shall maintain, until changed by the Trustees, with the consent of authorities having jurisdiction. (Sec. 17.)

If required, fares shall thereafter be increased or decreased by such stages as the Trustees may decide. In this connection such charge for transfers as may seem expedient to the Trustees may be imposed. The action of the Trustees in increasing or decreasing fares is subject to such control or regulation as may be prescribed by law. (Sec. 17.)

General regulations for the issuing of transfers are contained in the Grant. (Sec. 17.)

Health Inspectors, Firemen and Policemen of the City, when in full uniform are carried free. (Sec. 19.)

No passes shall be issued, but employees of the Company may be carried free, either upon tickets issued by the Company, a record of which shall be kept, or when wearing an official badge to be furnished by the Company. (Sec. 19.)

The Company may make with the approval of the City Council an arrangement with the United States Post Office Department for lump compensation, so that Mail carriers shall be carried without payment of fares. (Sec. 19.)

PHILADELPHIA

The initial fare was fixed by the Grant at five cents, with free transfers between all parts of the system, including both rapid transit and surface line and the Company's and the City's lines except in the Delivery District (that portion of the City lying between Arch street on the north and Locust street on the South, both inclusive, and between the Delaware and Schuylkill rivers). Exchange tickets, for which a three-cent charge is made were abolished, except as to the Delivery District, in which the charge was to be abolished upon the opening of the first section of the Frankford line, the Board however, being authorized to designate certain points within such District as non-transfer points, if necessary to relieve congestion. (Art. 21.)

No further schedule of fares is provided, it being the duty of the Supervising Board to prepare such schedule for presentation

to the Pennsylvania Public Service Commission, if a revision of fares either upward or downward is contemplated. (Art. 21.)

DENVER SERVICE AT COST ORDINANCE

The ordinance contains no schedule of fares. It is provided that fares for adults shall be decreased or increased in the method provided in the ordinance, by steps of one-half cent each, and that fares for children more than six and less than 12 years of age shall be one-half the adult cash fare, and that upon the taking effect of the ordinance, the Board of Control shall arrange and promulgate schedules of fares to conform to the provisions of the ordinance. In cases where an increase or a decrease of fare, results in a fractional fare, tickets shall be sold on cars, and the cash fare shall be the next highest exact number of cents. There shall be no charge for transfers. (Art. 6; Secs. 2, 3 and 4.)

Children under six years of age, trainmen of the Company and firemen and policemen of the City of Denver, when in uniform, shall be carried free. (Art. 10; Sec. 1.)

The ordinance provides that the rate of fare to be put in effect when the ordinance becomes effective, shall be six cents for adults and three cents for children. (Art. 6; Sec. 5.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

It is provided that upon the taking effect of the ordinance, the Company may charge an adult fare of six cents, children more than six years of age and less than 12 years of age half price, tickets to be sold by conductors on all cars, until the fare is changed in accordance with the provisions of the ordinance. (Sec. 1.)

At all times free transfers shall be given, under no greater restrictions than prevailed at the time the ordinance takes effect. (Sec. 2.)

MINNEAPOLIS

The initial fare for passengers more than six years of age, shall be five cents. (Sec. 8.)

Fares shall thereafter be increased, or decreased, in accordance with the method prescribed in the Grant, by stages of one cent, except that when the fare is more than five cents, tickets shall be

sold in lots of five at a discount of ten per cent from the fare then in effect; provided, however, that if at any time when such reduced rate tickets are sold, the earnings are insufficient to pay the cost of the service, the sale of such tickets may be suspended until the earnings are sufficient to pay the cost of service. (Sec. 8.)

Tickets shall be on sale at convenient places in the City. If fares shall be increased or decreased outstanding tickets shall be void, but shall be redeemed by the Company at the price paid therefor. (Sec. 8.)

Under reasonable rules and regulations made by the Company, it shall issue free transfers, unless it is mutually agreed upon by the City and the Company that a charge shall be made for transfers. (Sec. 8.)

Children (not more than two for each paying passenger, babes in arms one year and under not included) under six years of age shall be carried free. No passes shall be issued to any except Company employees. Reduced rates for Firemen and Policemen may be made subject to State statute. The Company may contract with the United States Government for the transportation of letter carriers. (Sec. 8.)

The Company may operate chartered and special cars at rates uniform, compensatory and reasonable, to be approved by the City Council. (Sec. 8.)

Despite the provisions of the Grant, the City and Company may enter upon an agreement providing a different schedule or arrangement of fares. (Sec. 8.)

2.— HOW FIXED

CHICAGO

The Company shall provide an Emergency Fund of \$2,000,000, from the sale of its bonds, the par value of which shall be added to Capital Account. In case the receipts of the Company are insufficient to meet the Cost of Service, such deficit shall be paid out of the Fund, and money so withdrawn shall be restored from Gross Receipts, as soon as it is practicable to do so. Moneys in the Fund may be invested in bonds and other interest-bearing securities other than those securities of the City or Company, as

the Trustees may see fit, and the Trustees may sell such securities and add the market value thereof to the Fund. Interest received from moneys in the Fund shall be added to Gross Receipts. (Sec. 18.)

Whenever, by reason of withdrawals from the Fund, on account of deficits paid to make good the cost of service, it shall be reduced below \$1,000,000, the Trustees shall immediately make such increases in fares or transfer charges or both as will not later than the end of the following fiscal year restore the amounts withdrawn from the fund and prevent the recurrence of such deficits during the following fiscal year. When such deficits have been made up, if in the opinion of the Trustees, a new deficit will not be created thereby, fares and transfer charges shall be reduced, or transfer charges abolished, as the Trustees may deem proper. (Sec. 17.)

If at the time of any annual report, the Surplus Receipts warrant, in the opinion of the Trustees, such action, fares shall be reduced, or transfer charges reduced or abolished. (Sec. 17.)

Any increase or reduction in fares or transfer charges outside of the City or to and from outside points shall be subject to such control and regulation as shall be prescribed by law. (This means that the Public Utilities Commission of Illinois might have jurisdiction.) (Sec. 17.)

PHILADELPHIA

Initial Surplus is defined to be the surplus on hand at the date the Grant takes effect, as determined by the special audit provided by the Grant (See C.4.-(c)) (Art. 1; Sec. 26). New Surplus is the amount remaining and accumulated after the payments of the items of cost of service provided by the Grant. (See E.-1.) (Art. 20; Sec. 3.)

If in any year Gross Revenue shall be insufficient to provide for the payment of the items of cost of service as provided for in the Grant, such deficits shall be made up from New Surplus until that be exhausted, and then from Initial surplus to the extent of \$2,000,000. Should there still be a deficit, it shall be accumulated and paid from later Gross Revenue. (Art. 20; Sec. 3.)

In case of the destruction of or serious damage to the system, or a continued interruption of normal operation, which results in the suspension or curtailment of payments on account of Depreciation Funds, sinking fund payments provided by the 1907 contract, payments on account of the taxation of dividends of underlying companies, payments in lieu of paving and license assessments, return on the Company's or City's investment, or the further payment provided on account of the City's investment, the Company is not required to make up such deficits out of Initial Surplus, if such surplus has been depleted to the extent of \$500,000 or more and not restored, nor shall the Company be required to at any time make good deficits from such causes to an extent of more than \$500,000, if the total depletion of the Initial Surplus is caused thereby. (Art. 20; Sec. 3.) Fares shall not be increased to make up such deficits, nor shall they be made up unless the Supervising Board shall sanction payment out of after-acquired New Surplus resulting from "normal and reasonable fares." (Art. 20; Sec. 3.)

If all the payments provided under cost of service cannot be currently met, New Surplus shall be eliminated and Initial Surplus depleted to the extent of \$500,000, fares shall be revised upwards, so as to provide Gross Revenue sufficient to provide such cost of service, restore within a reasonable time, Initial Surplus, and any deficit in the items of cost of service. (Art. 21.)

Within thirty days after the Initial Surplus shall have been depleted to the extent of \$500,000, the Board shall prepare and file with the Pennsylvania Public Service Commission a schedule of fares, which in its opinion, will produce the needed amount of Gross Revenue. If for two quarterly periods under such new schedule the Gross Revenue shall be insufficient to pay the cost of service, and provide a surplus sufficient within a reasonable time to make up money taken from Initial Surplus and pay any deficits accumulated in cost of service, or if Initial Surplus having been restored shall be again depleted to the extent of \$500,000 by reason of payments on account of current deficits in cost of service, the Board shall file a new schedule of fares which, in its opinion, will provide sufficient Gross Revenue. (Art. 21.)

If during the first year of operation of any section of the City's Transit Facilities, (during which first year no return is paid to the City on account of its investment), it shall develop to the satisfaction of the Board, that fares then in effect will not be sufficient during the ensuing year to provide Gross Revenues sufficient to meet the cost of the service, the Supervising Board may prepare and file with the Public Service Commission a new schedule of fares to take effect, on the date from which the City begins to receive a return upon its investment. (Art. 21.)

The power to permit increases of rates rests with the Pennsylvania Public Service Commission, which may suspend schedules filed by the Board. In case of such suspension, and if rates are not effective within thirty days from the time that tariffs are filed, the Company may suspend payments to the City on account of the remission of paving assessments and licenses, to such an extent as will make possible the payment of the return to the City and the Company and the additional payment on account of the City's investment, and such suspension shall continue until rates sufficient to provide the cost of service shall be made effective. (Art. 21.)

If for two consecutive years, the surplus shall increase a substantial amount annually, and New Surplus shall equal or exceed \$2,000,000, fares shall be revised downwards. The Supervising Board shall within thirty days after reports showing this state of affairs, file a schedule of rates and charges which, in its opinion, will reduce Gross Revenue, but which will at the same provide revenue enough to meet the cost of service, after applying thereto each year, one-third of the New Surplus, accumulated at the time the schedule is filed, such schedule to take effect within thirty days. Fares shall be further reduced whenever New Surplus shall have again accumulated to the extent above described. (Art. 21.)

If any part of the City's Transit Facilities are withdrawn from the system operated by the Company and the operations of the previous year indicate that the existing schedule fares will produce more revenue than is sufficient to meet the cost of the service, the Supervising Board shall prepare and file with the Public Service Commission forthwith, a schedule of fares and charges which in the opinion of the Board will reduce Gross

Revenues to the extent of the interest and sinking fund charges upon that portion of the Transit Facilities so withdrawn, except that Gross Revenues shall not be reduced below the point necessary to provide the cost of service on the remaining system. (Art. 21.)

DENVER SERVICE AT COST ORDINANCE

The Company is obliged to provide a fund of \$300,000 to be known as the Fare Control Fund. The "normal" amount of such Fund shall be \$300,000. (Art. 7; Sec. 1.)

Into the Fare Control Fund shall be paid monthly any surplus remaining from Gross Earnings after the cost of service has been paid; from it shall be taken monthly any deficit in the cost of service. (Art. 7; Sec. 2.)

If by reason of payments into it from Gross Earnings, the Fare Control Fund shall at any time amount to \$500,000, which amount shall be known as the "upper limit" of the Fund, fares shall be reduced to the next lower rate in the schedule. If in spite of the reduction in fares, the Fare Control Fund again reaches the "upper limit," fares shall again be reduced, and this process shall continue until Fund remains at the "Upper Limit" or below. (Art. 7; Sec. 3.)

When by reason of withdrawals from the Fare Control Fund, it shall be reduced to \$100,000, which sum shall be known as the "Lower Limit" of the Fund, the fare shall be increased to the next higher rate in the schedule. If after such increase further withdrawals are made from the Fund to meet the cost of service, fares shall be increased again, and such increases shall continue to be made until payments into the Fund out of surplus are made. The ordinance states that the Fare Control Fund "shall be maintained as nearly the "normal" amount as possible consistent with the purpose to render service to the public at actual cost." (Art. 7; Sec. 4.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

The initial fare permitted by the ordinance is conditioned on the payment by the Company of the wages fixed in the award of the National War Labor Board, dated November 20, 1918.

If at any time wages paid employes are increased or decreased, the Company shall so notify the Board of Control, and the Board may increase or decrease fares to take care of such increase or decrease in wages. If increased they shall not be increased more than will produce revenue sufficient to provide the increase in wages, and if decreased they shall not be decreased more than the difference in the sum total of wages paid before such decrease and the sum total paid after such decrease. In no event shall fares be increased to meet any increase in wages, which will provide a scale higher than the average hourly scale paid in the cities of St. Louis, Omaha, Kansas City, Minneapolis and St. Paul. If at any time the Board of Control should ascertain that the wage schedule of the Company is in excess of the average schedule paid in the above named cities and higher than the scale fixed by the National War Labor Board as of November 20, 1918, the Board of Control shall determine the fare to be charged to meet such schedule. The Board of Control shall act upon any notification of wage increases or decreases within ten days of the receipt of such notification and the Company shall put into effect fares determined by the Board of Control, within ten days of the receipt of notification of change. (Secs. 3 and 4.)

MINNEAPOLIS

A fund for Stabilizing Fares is established by the provisions of the Grant, to consist of the sum of \$250,000 furnished by the Company and added to Capital Value. From this Fund all deficiencies in the Cost of Service are met, except that when the sum therein is insufficient to make up such deficits, they shall be paid from subsequent Gross Receipts, or from the proceeds of loans made by the Company to be repaid from subsequent Gross Receipts at the rate of one-twelfth and interest thereof each month. To the Fund shall be added all Surplus Earnings. (Sec. 12.)

If at the end of any fiscal year the Fund shall amount to \$450,000 or more, the excess in the Fund to the amount of not less than \$100,000 or more than \$200,000 as directed by the City Council shall be paid into the Amortization Fund. (Sec. 12.)

If the Fund be increased to \$500,000 and the Company estimates that the next lower fare will produce sufficient revenue to

provide for payment from Gross Receipts into the Fund, the next lower fare shall be put in effect. If at the end of three months after the time when the lower fare goes into effect, the Fund shall have accumulated an additional sum, the fare shall be reduced to the next steps and such reductions shall continue at three month intervals, until accumulations in the Fund shall have ceased. (Sec. 12.)

If at any time the amount in the Fund shall be reduced to \$150,000 by reason of payments on account of deficits in the Cost of Service, the fare shall be increased one step, and if at the end of three months, the Fund shall be further reduced for the same cause, the fare shall be increased another step and if at the end of three months, payments are still required from the Fund, increases by successive steps shall be continued at three month intervals, until payments from the Fund on account of deficits in Cost of Service are no longer required. (Sec. 12.)

Notice of increase or decrease of fare shall be given by the Company through publication in one paper of general circulation in the City and by the posting of notices in the Company's cars on or before the 15th of the month, prior to the month upon the first day of which such increase or decrease shall be effective. (Sec. 8.)

The Stabilizing Fund shall be deposited at interest and such interest shall be added to Gross Receipts. (Sec. 12.)

G. TRANSPORTATION OF FREIGHT, EXPRESS, ETC.

CHICAGO

"No part of the local transportation system shall be used for any purpose but the transportation of passengers except as herein expressly provided." (Sec. 1.)

The Company may carry and handle express matter, baggage, mail, milk, parcels and such other package freight as may be designated by the Trustees, and at rates to be fixed and regulated by the Trustees. It may enter into contract, with the approval of the City Council, with suburban and interurban companies, for the operation of freight or express cars of such companies over its tracks, such cars to be approved as to design and equipment by the Trustees. (Sec. 20.)

PHILADELPHIA

Subject to such restrictions as the City may impose, the Company may use the Unified System for the transportation of freight, mail, express and other unobjectionable matter, except that the use of the system for the transportation of passengers to its fullest capacity shall not be interfered with. Within these limits the City may *require* the Company to carry freight, mail and other unobjectionable matter. (Art. 17.)

DENVER SERVICE AT COST ORDINANCE

"The Company is authorized to carry United States mail and light parcels, besides those in possession of the passengers, if not interfering with the convenience and safety of passengers. The Company shall also, by and with the consent of the Board of Tramway Control, have the right to haul or transport in suitable cars, such materials and supplies for and on behalf of the City and the public, at such times and over such routes as the Board of Tramway Control may approve. All charges for such service shall be compensatory, uniform and reasonable and shall be subject to the approval of the Board of Tramway Control." (Art. 9; Sec. 1.)

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No provisions.

MINNEAPOLIS

The Company may carry on its cars mail and light parcels besides those in the possession of passengers, under rules and regulations approved by the City Council and at charges which shall be uniform, reasonable and compensatory. (Sec. 2.)

The Company is required when ordered by the City Council to transport over its lines materials for municipal construction and other purposes at a reasonable compensation, and the City may construct or require the Company to construct at the City's expenses, tracks connections between the City's warehouses and the Company's tracks, but the transportation of material for City or for Company use shall not be allowed to interfere with the use of the tracks and facilities of the Company for passenger transportation. (Sec. 2.)

H. SPECIAL PROVISIONS

CHICAGO

Labor:

Hours of labor and working conditions shall conform to just and reasonable standards of safety, health, comfort and efficiency. Wages shall be just and reasonable and not less than customarily paid for services of like character under substantially similar conditions. (Sec. 27.)

Intervention and Enforcement:

The City may intervene in any suit brought to enjoin, restrain or interfere with the Company in the doing of any work called for by the Grant, in the observance of the terms of the Grant, or in an action to foreclose under any lien, mortgage or trust deed. The City may by mandamus, injunction or other appropriate legal proceedings, compel the performance of their respective duties and obligations by the Company or the Trustees and the Company may likewise proceed against the City. (Sec. 29.)

Lease or Assignment:

The Company may make no lease or assignment, or operating agreement without the consent of the City. (Sec. 31.)

PHILADELPHIA

Right to Dissolve Unified System:

It is provided by the Grant that the Transit Facilities owned by the City shall be combined with those owned by the Company and operated as a unified system. At the termination of the Grant, the City may dissolve the Unified System and reacquire its property. In this event the Company shall:

Surrender to the City the City's Transit Facilities in good condition and repair, except for natural deterioration, but it shall not be required to make good damage or destruction caused by war, riot, earthquake or other extraordinary occurrence not insurable, "and generally comprehended under the term of God or *vis major*"; (Art. 26; Art. 28; Sec. 1.)

Surrender to the City all Transit Facilities furnished by it for the City, provided that the City shall pay to the Company an amount equal to the cost of such facilities, less —

Any repayment of such cost which the Company shall already have received through the operation of any Amortization Fund, or otherwise,

The amount of securities issued for such cost, if the same have been fully amortized, or if the City shall assume the same,

The amount of amortization of securities issued in payment for such Transit Facilities which shall not be assumed by the City;

NOTE: If securities have been issued which cover expenditures on account of both City and Company Transit Facilities, the Supervising Board shall determine the proportion to be assigned to each. (Art. 28; Sec. 1.)

Pay to the City the City's share in the then existing New Surplus, which share shall be apportioned upon the same basis as that provided for calculating the return to the City and Company. (See E.-1.) (Art. 28; Secs. 1 and 2.)

Initial Surplus shall remain the property of the Company. (Art. 28; Sec. 2.)

If the Unified System be dissolved by reason of any default upon the part of the Company, then the Initial Surplus and the Company's share of New Surplus shall be available for any damages awarded to the City by the Court. (Art. 28; Sec. 2.)

Assignment:

The contract shall not be assigned, sublet, or mortgaged without the consent of the City expressed by ordinance. The appointment of a Receiver for the Company shall not be considered an assignment or cause for termination of the Contract. (Art. 32.)

Public Subsidy:

"The City reserves the right from time to time to determine what portion of the interest and sinking fund charges upon its investment in Transit Facilities shall be borne by the car-riders and what portion shall be borne by the taxpayer * * *." Accordingly the City may withdraw any or all of its investment from the rental requirements of the Contract, in which

case no return shall be paid on the portion so withdrawn and this fact shall be taken into consideration in computing schedules of fares. (Art. 18.)

Extraordinary Repairs:

In case of damage to or destruction of any of the City's Transit Facilities by war, riot, earthquake or other extraordinary occurrence not ordinarily insurable, and generally comprehended under the term act of God, or *vis major*, the same shall be repaired or replaced by the City and charged to the cost of the City's Transit Facilities. (Art. 26.)

DENVER SERVICE AT COST ORDINANCE

No special provisions.

DENVER ELASTIC SIX-CENT FARE ORDINANCE

No special provisions.

MINNEAPOLIS

Wages and Working Conditions:

The hours of work and working conditions shall conform to just and reasonable standards of safety, health, comfort and efficiency. Employees shall not be required to work more than 54 hours in any one week. Wages "shall be just and reasonable and not less than shall be customarily paid for services of like character under substantially similar conditions." (Sec. 6.)

Any properly accredited committee representing fifty per cent of the employees of any department, with or without counsel, shall be entitled to a hearing from the Company and the Company shall take up for adjustment any matter of wages, hours of labor or working conditions presented by such committee. If the Company and the Committee are unable to agree, and the employees ask for arbitration of the matter in dispute, then the Company shall consent to such arbitration, which shall be conducted in the same manner as is provided in the Grant for the arbitration of other questions, except that the employees shall select one of the arbitrators in place of the City. (Sec. 6.)

